

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, JUNE 15, 2018 ~ VOL. CCLXXI NO. 139

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What's News

Business & Finance

The U.S. economy is revving up just as Europe and other major economies lose steam, jeopardizing a rare period in which the world's largest economies have been accelerating in unison. **A1**

◆ The ECB laid out plans to wind down its giant bond-buying program by the end of this year, but will maintain its policy of negative rates. **A9**

◆ U.S. stocks stabilized, suggesting investors are coming to terms with moves by the Fed and the ECB. **B10**

◆ Antitrust regulators at the Justice Department are expected to take a close look at bids by Comcast and Disney for Fox assets. **B1**

◆ AT&T completed its Time Warner deal after the Justice Department decided not to request a legal delay while considering an appeal. **B1**

◆ Investment managers are pushing back as banks track what research the firms' employees are reading. **B1**

◆ Facebook policy and communications chief Schrage is stepping down, ending a decade-long tenure at the firm. **B1**

◆ Rolls-Royce will cut 4,600 jobs as the U.K. jet-engine maker faces investor pressure to boost competitiveness. **B3**

◆ Chubb has teamed up with a tech startup to sell insurance to passengers of ride-hailing services. **B2**

◆ The cryptocurrency ether isn't a security and shouldn't be regulated like one, a senior SEC official said. **B9**

◆ Abraaj said the private-equity firm's holding company filed for liquidation in the Cayman Islands. **B9**

World-Wide

◆ A watchdog report provided a broad rebuke of ex-FBI chief Comey's handling of the Clinton email investigation but found no evidence that the probe's outcome was affected by bias. **A1, A4**

◆ The president approved tariffs on about \$50 billion of Chinese goods, as the U.S. ratcheted up its trade fight with Beijing. **A1**

◆ Trump used his family foundation to further his 2016 campaign, pay legal settlements and promote his businesses, New York's attorney general alleged in a lawsuit. **A1**

◆ Federal prosecutors are investigating whether Trump lawyer Cohen illegally engaged in secret lobbying. **A5**

◆ Ryan and other GOP lawmakers are criticizing the administration's policy of separating parents and children who illegally enter the U.S. **A3**

◆ Pompeo said China had committed to maintain U.N. sanctions on North Korea, as he sought support toward disarming Pyongyang. **A6**

◆ Japan's Abe is weighing a summit with Kim about Japanese citizens who were abducted by North Korea. **A6**

◆ The White House is expected to soon nominate Kimberly Reed for the top post at the Ex-Im Bank. **A4**

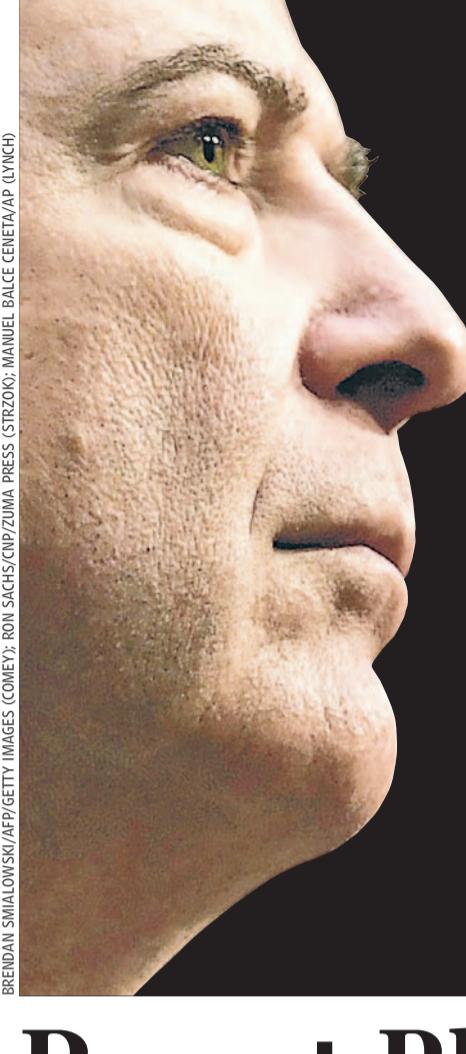
◆ Yemeni forces backed by a Saudi-led military coalition advanced toward Yemen's main port, despite resistance from Houthi rebels. **A7**

◆ Argentine lawmakers narrowly approved a bill to legalize elective abortions, following a heated debate. **A8**

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Officials Feel Watchdog's Bite

'Departing so clearly and dramatically from FBI and Department norms, the decisions negatively impacted the perception of the FBI and the Department as fair administrators of justice.'

— James Comey, then-director of the FBI, cited in the Justice Department Inspector General report



His texts about Trump 'cast a cloud' over FBI probe

— Peter Strzok, lead FBI agent in Clinton email investigation



Made 'an error in judgment'

— Loretta Lynch, then-attorney general, about her meeting with Bill Clinton amid probe of wife's email

Growth In U.S. Leaves World Behind

The U.S. economy is revving up just as Europe and other major economies lose steam, jeopardizing a rare period in which the world's largest economies have been accelerating in unison.

By Jon Sindreu,
Riva Gold
and Josh Mitchell

The European Central Bank on Thursday took another step toward ending the massive stimulus measures it has used in an effort to boost growth since 2015. But ECB officials also said they would hold interest rates steady through summer next year, a sign that they felt the eurozone economy remains fragile.

In an indication of growing economic vigor in the U.S., the Federal Reserve on Wednesday tapped the brakes again, raising the benchmark interest rate by a quarter of a percentage point and signaling it may quicken the pace of future rate increases because of a strengthening economy and tightening labor markets.

The economies' diverging paths were expressed most prominently in the euro, which on Thursday suffered its worst day against the dollar in two years. The euro lost 1.88% against the U.S. currency, its biggest drop since the day after the U.K. voted to leave the European Union.

The central bank announcements over the past two days offered the latest evidence that heady growth expectations for Europe and other major economies outside the U.S. might not be achieved, defying analysts who began the year convinced that the

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Report Blasts FBI Agents, Comey Over Clinton Probe

WASHINGTON—A long-awaited watchdog report provided a broad and detailed rebuke of actions by former FBI Director James Comey to publicize details about the politically charged investigation into Hillary Clinton's use of a private email server, but found no evidence that the probe's outcome was affected by bias or other political considerations.

By Del Quentin Wilber, Aruna Viswanatha and Sadie Gurman

The 500-page report also faulted Obama-era Justice Department leaders for not taking a firmer hand with Mr. Comey, and slammed multiple FBI employees involved in the

investigation for sending politically charged text messages, saying the texts "cast a cloud" over the investigation and its credibility.

While providing the most definitive account of the probe, the report, released Thursday, didn't settle long-simmering dissatisfaction among both Democrats and Republicans over the bureau's handling of

the investigation.

The report's sharpest criticism was leveled at Mr. Comey, who was fired by President Donald Trump in May 2017.

The Justice Department's inspector general's office said it found "unpersuasive" Mr. Please turn to page A4

◆ FBI director vows to repair bureau's reputation..... A4

Home Advantage at World Cup



TEAM SPIRIT: Russia won its opener against Saudi Arabia, 5-0, as soccer's World Cup got under way in Moscow. For coverage of the tournament, see A12 and WSJ.com/WorldCup.

New York Sues Trump Over His Foundation

BY CORINNE RAMEY

NEW YORK—President Donald Trump used his family foundation to further his 2016 campaign, pay legal settlements and promote his businesses, the state attorney general here alleged in a lawsuit filed Thursday.

The lawsuit, filed in state Supreme Court in Manhattan, calls the Donald J. Trump Foundation "little more than an empty shell" and accuses it of repeatedly violating laws that govern charities. The suit, which names Mr. Trump, his three older children and the charity itself, seeks to dissolve the foundation.

Charities, often funded with money deducted from donors' income taxes, aren't permitted

to engage in politics and generally aren't allowed to advance the private interests of their officers and directors.

Trump Organization spokeswoman Amanda Miller called the suit "politics at its very worst." She said the foundation proposed its own voluntary dissolution more than a year and a half ago.

On Twitter, Mr. Trump called the suit "ridiculous." He wrote, "The sleazy New York Democrats, and their now disgraced (and run out of town) A.G. Eric Schneiderman, are doing everything they can to sue me on a foundation that took in \$18,800,000 and gave

Please turn to page A5

◆ Michael Cohen probe looks at possible illegal lobbying..... A5

U.S. Gives Green Light To Tariffs on China Goods

BY BOB DAVIS
AND PETER NICHOLAS

WASHINGTON—President Donald Trump approved tariffs on about \$50 billion of Chinese goods, said individuals familiar with the decision, as the U.S. ratcheted up its trade fight with Beijing over China's alleged pressure on U.S. firms to transfer technology to Chinese partners.

The approval followed a 90-minute White House meeting Thursday with senior White House and national security officials along with senior representatives of the Treasury, Commerce Department and U.S. Trade Representative's Office.

It wasn't clear when the tariffs would go into effect. Beijing has said that it intends to assess tariffs on a corre-

Student-Loan Debtors Get Help From Judges

BY KATHERINE STECH

More bankruptcy judges are throwing lifelines to people struggling to repay their student loans after decades of refusing to consider any sort of relief.

In interviews with the Wall Street Journal, more than 50 current and former bankruptcy judges, frustrated at seeing borrowers leave federal courtrooms with six-figure debts, say they or their colleagues are more open to chipping away at the decades-old guidelines that determine how such debt is treated.

"If the law's not going to be improved by Congress, we have to help these young people who are drowning in student loan debt," said U.S. Bankruptcy Court Judge John Waites in South Carolina.

Outright cancellations remain rare, but judges said they have other tools at their disposal, including asking lawyers

to represent borrowers for nothing. The lawsuits can cost \$3,000 to \$10,000 and take years.

Other judges are embracing debt-relief techniques that don't fully erase student loans but make repayment more affordable by, for instance, canceling future related tax bills. The popularity of these relief strategies could get a boost from a panel of professors, judges and advocates who are studying failures in consumer bankruptcy law and plan to release a report next year.

Hundreds of thousands carry student debt in the U.S.—the total has more than doubled over the past decade to \$1.4 trillion—nearly all backed by the federal government. It has eclipsed credit cards as the largest source of consumer debt after mortgages. Almost every other type can be extinguished in bankruptcy, but standards that made college

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U.S. NEWS

GOP States Warm to Medicaid Expansion

BY STEPHANIE ARMOUR

The push to expand Medicaid is gaining traction in some Republican states that previously rejected the idea, thanks to grass-roots efforts to let voters weigh in directly on the issue and recent changes in the program that make it more friendly to conservatives.

States including Idaho, Utah, Nebraska, and North Carolina are weighing expanding their programs, and the debate is also playing a role in the midterm contests in Florida, Georgia and Kansas. All were won by President Donald Trump in the 2016 election.

Traditional Medicaid typically covers such groups as low-income families who qualify for Social Security and pregnant women and children meeting income requirements. Medicaid expansion, part of the Affordable Care Act, enables states to cover more low-income adults up to age 65.

Some Republicans are finding expansion more palatable now that the Trump administration is letting states impose work requirements on recipients. At the same time, grassroots groups have succeeded in getting expansion on the ballot

in the form of ballot initiatives, taking advantage of a political climate that has shifted since Republicans in Congress failed to repeal the ACA.

Last week, Democratic Gov. Ralph Northam of Virginia signed a budget expanding Medicaid to up to 400,000 residents. The plan's requirement that many nondisabled recipients work or volunteer was key to getting the support of Republican state lawmakers who had previously opposed expansion in the centrist state.

"The ability to embrace a work requirement is a big part of it," said Matt Salo, executive director of the National Association of Medicaid Directors. "If you've spent eight years running against the concept of Obamacare with all your heart and soul, the ability to pivot to embrace its biggest element is still difficult."

That is one reason the push to expand Medicaid has come to a standstill in Maine. Voters approved an expansion in a ballot referendum last year. But GOP Gov. Paul LePage, who opposes it amid concerns about the cost, refused to launch the process. A judge ordered the state to do so and



A volunteer, left, in Omaha, Neb., with a petition drive to get Medicaid expansion on the state ballot.

ments will be heard June 15 in U.S. District Court in Washington, D.C.

In some states, voters have signaled they want Medicaid to grow even if lawmakers don't. Voters will decide on Medicaid expansion referendums in Idaho and Utah, and supporters expect to place expansion on the ballot in Nebraska's general election.

The midterms will shape Medicaid policies, either in expanding coverage or, in some cases, rolling it back.

In Georgia, Stacey Abrams, the Democratic nominee for governor, is campaigning on Medicaid expansion. Mike DeWine, the Ohio attorney general who is running for governor, has said he doesn't believe the state's Medicaid expansion is sustainable.

Many Republicans remain opposed to expansion, and the Trump administration argues that it benefits working-age adults at the expense of the very poor women and disabled.

But some health analysts said the action shows that the ACA has persuaded more people that the federal government has a larger role to play in providing health coverage.

First African-American Woman Elected Mayor in San Francisco



NEW LEADER: Democrat London Breed, 43, won last week's eight-person race for city mayor. She will take office next month.

Harvard Suit Expected to Expose Policy

BY MELISSA KORN AND NICOLE HONG

A closely watched lawsuit accusing Harvard University of discriminating against Asian-American applicants is approaching a critical juncture, with court filings expected to reveal new details about how the school's undergraduate admissions process affects different ethnic and racial groups.

Both sides are due to submit documents Friday in Boston federal court that would serve as previews for an October bench trial, in which a federal judge will decide whether the school's affirmative-action practices are unconstitutional or illegal under federal civil-rights law.

The lawsuit against Harvard was filed in 2014 by Students for Fair Admissions, a nonprofit whose members include Asian-American students who were denied admission to Harvard.

The plaintiffs allege Harvard intentionally discriminates against Asian-Americans.

Asian-American students who are admitted and holding them to a higher standard than students of other races.

In a court filing from March, lawyers for Harvard said both sides have "submitted expert reports that analyze identical data yet reach diametrically opposite conclusions."

Friday's public filings could provide a rare look at how Harvard makes its undergraduate-admissions decisions. Many documents in the case so far have been submitted to

tions for summary judgment, were to ask the judge to resolve the case without going to trial. The judge had indicated she was unlikely to grant the motions, setting the stage for an Oct. 15 trial.

Among the claims in the lawsuit are allegations that Harvard relies too heavily on race in its admissions decisions and that the school engages in unlawful racial balancing.

Harvard has said its admission process is consistent with legal precedents that allow universities to consider race as a factor in admissions.

Drew Faust, the university's president, said in a message Tuesday to Harvard students, faculty, staff and alumni that the plaintiffs will paint an "inaccurate image" of the school's admissions processes and rely on "misleading, selectively presented data taken out of context."

She said Harvard will defend "the processes by which it seeks to create a diverse educational community."

Harvard admitted 4.6% of

its 42,749 applicants for the incoming first-year undergraduate class. Of those who accepted their admission offers, 22.7% self-reported as Asian-American, 14.5% as African-Americans, 10.8% as Latino and 2.3% as Native American and Native Hawaiian.

Lawyers for Students for Fair Admissions say their goal is to reach the Supreme Court and overturn racial preferences in university admissions, ultimately eliminating affirmative action.

The nonprofit is led by Edward Blum, a conservative legal activist who also spearheaded a lawsuit against University of Texas at Austin's admissions practices that landed in the Supreme Court.

In a 4-3 ruling upholding the use of racial preferences in public-university admissions, Justice Anthony Kennedy left the door open in 2016 to future legal challenges by saying universities must continue to review their affirmative-action policies to assess their positive and negative effects.

Information with no common metric increases the subjectivity of admissions decisions," ACT spokesman Ed Colby said in a statement.

SAT spokesman Zach Goldberg said that with research showing high-school grade-point averages are higher than ever, it is important to have another measure like the SAT.

University of Chicago officials said their plan will begin with the Class of 2023.

"Comparing students based on widely different sources of

across the spectrum. It breaks the ice for this real top tier of nationally selective colleges," said Robert Schaeffer, public-education director of the National Center for Fair and Open Testing, known as FairTest.

Organizations that administer the ACT and SAT noted that most applicants to four-year colleges go to institutions that rely on the exams to help determine admission.

"Comparing students based on widely different sources of

poorly on the ACA marketplaces. Insurers say the federal government promised to cover certain losses even if it didn't collect enough from participating insurers. But Republicans have said the program can only pay out as much as it collected, creating a shortfall for insurers that totaled about \$12.3 billion.

The Trump administration has essentially said insurers aren't entitled to the money because it was never appropriated by Congress. Insurers have filed roughly two-dozen lawsuits claiming the federal government reneged on promises it made to pay them.

—Stephanie Armour

HEALTH

Fewer Teens Report Smoking, Drinking,

Fewer U.S. teens are smoking, having sex and doing drugs. They're drinking less milk, too.

Less than one-third of high school students drink a glass of milk a day, according to a large government survey released Thursday. About two decades ago, it was nearly half. The survey by the Centers for Disease Control and Prevention is conducted every two years. About 15,000 students at 144 high schools were surveyed last year.

Some of the findings:

- Not as many teens are having sex, although there wasn't much change from the 2015 survey results. Last year, about 40% said they'd ever had sex, down from 48% a decade ago.

- About 9% are current smokers, down from more than 27% when the survey started in 1991, and 30% said they use alcohol, down from 51% in 1991.

- Marijuana use seems to be hovering, with about 36% of students saying they had tried it. But overall, illegal drug use seems to be falling.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Comcast Corp. is offering \$65 billion to buy most of **21st Century Fox Inc.** In some editions Thursday, a Page One graphic about the deal incorrectly said the bid was \$165 billion.

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

Jordan Spieth hit a 50-foot eagle putt on the 15th green during the final round of the British Open last year. A Sports article Thursday about putting skill incorrectly said the putt was from 50 yards.

The WALL STREET JOURNAL

(USPS 664-880) (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, Chicopee, MA 01020.

All advertising published in The Wall Street Journal is subject to the applicable rate card, copies 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.

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U.S. NEWS

Migrant Boys' Shelter Expands Quickly

Agency looks for more bed space as Trump administration splits up children, parents

By ALICIA A. CALDWELL

BROWNSVILLE, Texas—Inside a converted Walmart Supercenter about 6 miles from the U.S. border with Mexico, nearly 1,500 young immigrant boys have found their first home in the U.S.

The shelter for immigrant youth in the corner of South Texas opened last year with a capacity of about 1,200. It expanded last month and had fewer than 50 beds to spare on Wednesday afternoon.

For several weeks, the Trump administration has been pursuing the controversial policy of separating parents and children caught crossing into the U.S. illegally, part of its broader effort to reduce the flow of foreigners coming into the U.S. It has been sending the children to temporary foster homes or shelters like this one.

"You're going to see a lot of kids," Juan Sanchez, president and chief executive of Southwest Key Programs, which runs the Casa Padre shelter, told a group of reporters touring the facility Wednesday. "This has been a time of getting a lot of kids really fast."

The shelter is one of 100 such facilities in 17 states run by contractors for the government. It is the largest licensed child-care facility of its kind housing immigrant kids in the country.

Currently, most of the boys at the center, who are age 10 to 17, came to the U.S. without their parents, according to Alexia Rodriguez, vice president of immigrant child services and legal counsel for Southwest Key.

The immigrant boys at Casa Padre—some teenagers with wisps of mustaches and others baby-faced preteens—will likely spend around two months living, studying and adjusting to the U.S. at the



The Casa Padre shelter for illegal immigrant boys, 6 miles from the Mexican border in Brownsville, Texas, is the largest such facility of its kind in the U.S.

By the Numbers

Children currently in U.S. detention centers:

11,351

Average length of stay:

56 days

Children in Casa Padre Center in Brownsville, Texas:

around 1,500

Immigrants arrested who were traveling as part of a family in May:

around 9,500

shelter, living in dorm-style rooms with up to five beds. Different wings of the living area are named for U.S. presidents, including President Donald Trump.

The boys meet at least once a week with a therapist and occasionally take field trips to church, local parks or the beaches of South Padre Island, a spring-break hot spot.

But life inside the former discount store is highly structured, with meal times choreographed in two-hour blocks, and outdoor time on a playground or basketball courts limited to just two hours a day. The boys' nearly every movement is monitored by staff members.

On Wednesday, the government was caring for 11,351 immigrant kids, according to the Department of Health and Hu-

man Services. Spokesman Kenneth Wolfe said immigrant children stay in the government's care, either in a foster home or group shelter, for about 56 days.

The children get out when they are placed with a sponsor. Traditionally, that has been a parent or other relative willing to promise the government they will take care of the immigrant child and make sure they attend immigration court proceedings.

HHS officials said they are also considering housing children at U.S. military bases.

Shelters have filled up in recent months. Mr. Sanchez said his agency is looking at adding more bed space at its 27 facilities in Arizona, California and Texas.

Most adult illegal border crossers are currently charged

with a misdemeanor that carries a penalty of up to 6 months in prison. Trump administration officials have said the government is required to separate the families because the adults face jail time and children can't be jailed under the terms of a decades-old court settlement.

Critics of the policy, including mostly Democratic lawmakers and immigration advocates, have decried it as unnecessarily cruel.

It is unclear how many families have been separated since the zero-tolerance policy was enacted early last month, but the U.S. Border Patrol said it arrested nearly 9,500 immigrants traveling as a part of families in May. Separately, nearly 6,500 child immigrants traveling alone were arrested after crossing the border.

Ryan Opposes Separating Children

By NATALIE ANDREWS

WASHINGTON—House Speaker Paul Ryan and other Republican lawmakers are criticizing the Trump administration's policy of separating parents and children attempting to illegally cross the U.S.-Mexico border and considering legislation to stop the practice.

"We don't want kids to be separated from their parents," Mr. Ryan said Thursday. "We believe, because of the court ruling, this will require a legislative change" to adjust a decades-old court settlement that bars the government from jailing immigrant children if their parents are taken into custody.

Enforcing that settlement is one of the main justifications the Trump administration has made for the separation of migrant children from their jailed parents. Attorney General Jeff Sessions implemented a "zero-tolerance policy" last month that calls for the detention of adults who cross the border illegally, resulting in the separation of parents and children.

Republicans are considering legislation that would allow children to be detained with their parents in the same facility, according to a draft of legislative text viewed by The Wall Street Journal. Children could also be released to a parent or guardian.

Critics say the provision



Speaker Paul Ryan and other Republicans don't want immigrant children to be separated from parents.

won't solve the problem. "I cannot express how insincere this is of politicians to frame this as we want to keep families together, because, in reality, it means 'we want to detain children,'" said Sarah Pierce, a policy analyst at the Migration Policy Institute, a nonpartisan think tank.

In an agreement struck this week with GOP lawmakers, Mr. Ryan agreed to set up votes next week on a conservative immigration bill by Reps. Bob Goodlatte (R., Va.) and Michael McCaul (R., Texas), and a compromise bill that is currently

the subject of negotiations among Republican lawmakers.

The measures would also address another class of children caught in the immigration debate, the so-called Dreamers, young people brought to the U.S. illegally in the past by their parents.

The draft text viewed Thursday by the Journal would allow Dreamers to apply for protections that last six years, given they meet certain education and age requirements. Then, that group could slowly begin to get green cards, allocated annually by merit, as

long as Congress has allocated funds for border security.

Both immigration bills face a hurdle to passage in the House, as neither is expected to have any Democratic support. Lawmakers haven't presented a solution as to how they would solve the problem if the bills don't pass.

Rep. Jeff Denham (R., Calif.), who is one of the lawmakers who has been involved in the compromise negotiations, said changing how the bill handles asylum seekers—including children—was "critical" in shaping the bill.

Ban on Political Apparel at Polls Voided

By JESS BRAVIN AND BRENT KENDALL

WASHINGTON—The Supreme Court ruled Thursday that Minnesota went too far in banning all political buttons and apparel at polling stations, but it said more limited electioneering restrictions most other states enforce are acceptable.

For more than a century, Minnesota has banned buttons, badges or anything else bearing "political insignia" from its polling stations. The law wasn't challenged, how-

ever, until the 2010 election, when conservative activists sued after poll workers objected to them entering with "Please I.D. Me" buttons and a Tea Party Patriots shirt.

The court, voting 7-to-2, sided with the activists. Writing for the majority, Chief Justice John Roberts said the law gave poll workers too much leeway to decide which messages could be displayed within the voting area, rather than failing for limiting political speech.

Minnesota's lawyers said the restriction was limited to

messages aimed at a voter's "electoral choices," and said their rules followed precedent affirming state authority to prohibit campaigning adjacent to polling stations.

While poll workers—often temporary employees who staff their stations for long hours and low pay—doubtless try hard and are entitled to some discretion, they "must be guided by objective, workable standards," he wrote.

In a mild dissent, Justice Sonia Sotomayor, joined by Justice Stephen Breyer, didn't defend the Minnesota law. But

she said that rather than strike the law outright, the court should have heeded the state's suggestion and asked the Minnesota Supreme Court to specify what "political" meant under the statute.

While Minnesota's vague definition of "political" failed the court's test, more broadly Thursday's decision endorsed the rationale for keeping polling stations free from political rancor. The court suggested that Minnesota might amend its law to mirror the "more discernible" standards many other states employ.



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U.S. NEWS

Trump Looks to Resuscitate Ex-Im Bank

By ANDREW ACKERMAN

WASHINGTON—The Trump administration is moving to bring back to life a long-hobbled agency that smooths export deals between U.S. manufacturers and overseas buyers, potentially ending a three-year freeze that has held up more than \$40 billion of export deals.

The White House is expected to soon nominate Kimberly Reed to fill the top position at the U.S. Export-Import Bank. Ms. Reed would follow the administration's prior nominee, former congressman Scott Garrett, who was rejected by a Senate committee in December.

Ms. Reed's nomination would be a victory for the business-friendly faction of the GOP and for large U.S. man-

ufacturers such as **Boeing** Co. and **General Electric** Co. Such companies rely on the agency to complete export deals.

By turning to Ms. Reed, a former Treasury Department staffer during the George W. Bush administration, the White House is backing a nominee who thinks the Ex-Im Bank's role is essential for the U.S. to counter foreign governments that operate their own export-finance agencies. At her nomination hearing late last year for a less-senior post at the bank, she said not having a functional export-finance agency amounted to "unilateral disarmament."

A person familiar with the matter said Ms. Reed discussed the bank's top role with the president, meeting privately with him in late

2017. Ms. Reed declined to comment.

"By restoring the Export-Import Bank's board quorum, EXIM will be able to help level the playing field," Jeffrey Gerish, the Ex-Im Bank's acting president, said.

The Ex-Im Bank helps support U.S. exports through a range of programs, including guaranteeing loans to foreign buyers, credit insurance and some direct lending to foreign companies.

Some Republicans think what it does amounts to corporate welfare, saying the bank puts taxpayers at risk of losing money to finance sales that should be left to the private sector. "Someone suggesting that they can't do business without the taxpayer subsidy of the Ex-Im Bank is

just [saying] that they're not able to compete," Sen. Pat Toomey (R., Pa.) said in an interview.

Lawmakers have fought over the agency for several years. In 2015, conservative opponents in Congress blocked the Ex-Im Bank's ability to conduct business for several months. More recently, Senate Republicans haven't filled empty board seats, effectively rendering it dormant.

Ms. Reed may face opposition from conservative Republicans who voted against her to be vice president of the agency when a Senate panel rejected Mr. Garrett in December. Although she cleared the committee at the time, senators will have to hold a new vote on her nomination to be president.

Three additional nominees for the bank's board are awaiting Senate confirmation. The agency has been effectively dormant since July 2015, lacking a board quorum needed to

The Ex-Im Bank helps support U.S. exports through a range of programs.

approve transactions above \$10 million. Ms. Reed's ascension would only partially put the agency back in business. To get to a quorum, the Senate also needs to confirm at least two additional board members.

The bank's inability to conduct business was on display in February, when its then-acting head flew to Kuwait to sign a \$3 billion agreement pledging to help Iraq rebuild areas liberated from Islamic State.

Behind the scenes, representatives from top U.S. manufacturers such as GE vented that Washington's inability to fully staff the bank's board meant the agency couldn't follow through on its commitment because many of the transactions were above the \$10 million threshold.

Supporters, including lawmakers from both parties, say the bank keeps U.S. firms on a level playing field against foreign competitors that get similar support from their governments.

Report Blasts FBI And Comey

Continued from Page One

Comey's argument for why he ignored department policy on the Clinton email probe while hewing to it on the separate Russia and Clinton Foundation investigations.

But the report said investigative and prosecutorial decisions in the Clinton investigation were "not unreasonable" and could be justified on policy and legal grounds.

Mrs. Clinton's allies have blamed Mr. Comey's handling of the probe for putting Mr. Trump over the top in the November 2016 presidential election. At the same time, Mr. Trump and some Republicans maintain that actions by Mr. Comey and FBI agents during the Clinton probe showed bias against Mr. Trump, which they say has also infected the special counsel's probe into Russian interference in the election.

The report gave an unusually detailed accounting of one of the FBI's highest profile investigations, its probe into whether Mrs. Clinton intended to transmit classified information on an unclassified, private email server while secretary of state.

In the course of its 18-month investigation, Inspector General Michael Horowitz's staff also unearthed thousands of text messages exchanged between Federal Bureau of Investigation personnel that disparaged Mr. Trump. The inspector general said his office was "deeply troubled" by the messages, which "potentially indicated or created the appearance that investigative decisions were impacted by bias or improper considerations."

Of special focus in the report were FBI Agent Peter Strzok and now-former FBI lawyer Lisa Page, who exchanged thousands of text messages over the course of 2015 through 2017.

Mr. Strzok, who was romantically involved with Ms. Page, had led the Clinton probe and later was the top agent on Special Counsel Robert Mueller's team investigating Russia's interference in the 2016 election.

The texts "sowed doubt" about the FBI's work, the report said, and "created the appearance that investigative decisions were impacted by bias or improper considerations."

Still, the inspector general discovered no evidence that "improper considerations, including political bias, directly affected the specific investigative decisions" in the case.



Former FBI Director James Comey was determined to have deviated from policies in speaking publicly about the investigation of Hillary Clinton's use of a private email server.

Findings in Report

JAMES COMEY'S ACTIONS WERE 'INSUBORDINATE'

The report found that Mr. Comey, then director of the FBI, deviated from policies in speaking publicly about the Clinton investigation at a news conference in July 2016 in which he said the Federal Bureau of Investigation was recommending no charges be filed against Hillary Clinton, the 2016 Democratic nominee for president. "We found that it was extraordinary and insubordinate for Comey to do so, and we found

none of his reasons to be a persuasive basis for deviating from well-established Department policies," the report said. Mr. Comey also was chastised for engaging in "ad hoc" decision-making when he sent a letter to Congress just days before the 2016 election saying that the FBI had reopened the matter after finding new emails on Anthony Weiner's laptop. (Mr. Weiner was married to Clinton aide Huma Abedin.)

Mr. Comey defended his decisions in an op-ed Thursday in the New York Times, saying his team believed "concealing" the information "would have been

catastrophic to the institution."

LORETTA LYNCH MADE 'ERROR IN JUDGMENT'

The report faults former Attorney General Loretta Lynch for creating "considerable public confusion" about her status in the Clinton investigation just before Mr. Comey's July 5 announcement, and making an "error in judgment" by failing to recognize how bad it looked that she met days earlier with former President Bill Clinton on an airport tarmac in Phoenix. She confused things further by telling a reporter she wouldn't recuse herself from the Clinton

investigation, but would accept recommendations provided to her by career agents and prosecutors, the report said.

Ms. Lynch said the report "affirms that my actions had no political motivation or bias and complied with DOJ policies."

TEXTS SHOWED 'GROSS LACK OF PROFESSIONALISM'

Many of the texts between FBI investigator Peter Strzok and FBI lawyer Lisa Page, who were in a romantic relationship, have been previously reported. In the report, Justice Department Inspector general Michael Horowitz writes that his office

was "deeply troubled" by the messages, which "potentially indicated or created the appearance that investigative decisions were impacted by bias or improper considerations."

A lawyer for Mr. Strzok said every witness told the inspector general's office that "Strzok's work was never influenced by political views."

The report revealed that three other FBI employees on the Clinton investigation swapped politically charged messages hostile toward Mr. Trump and supportive of Mrs. Clinton.

—Aruna Viswanatha and Sadie Gurman

The watchdog also examined how agents handled the discovery of Clinton-related emails on the laptop belonging to Anthony Weiner, a disgraced former congressman who was married to a Clinton aide, and faulted the FBI for a monthlong delay between the discovery of the emails and investigative action by agents.

The inspector general said the texts raised questions about whether Mr. Strzok permitted political bias to cloud his judgment during one critical juncture in the investigation.

In September, an FBI agent working an unrelated case came across thousands of Clinton-related emails on Mr. Weiner's laptop. Mr. Strzok and FBI officials learned about the emails in late September 2016 but took no official action for nearly a month, the inspector general concluded. The inspector general said it found no evidence that the laptop was "deliberately placed on the back-burner."

In one previously unreported example, Mr. Strzok sent a text in August 2016 in response to a message from Ms. Page, who

was worried that Mr. Trump might win the election. In his reply, Mr. Strzok wrote: "No. No he's not. We'll stop it."

According to the report, Mr. Strzok stated that he believed his message was intended to reassure Ms. Page, and not suggest that he would somehow stop Mr. Trump.

A lawyer for Mr. Strzok,

Aitan Goelman, said in a statement that the inspector general correctly concluded "that there is no evidence that the political views of Special Agent Strzok and others in the FBI impacted the handling of the Clinton

email investigation."

In the report, the inspector general also identified instances in which Mr. Comey used a personal Gmail account to work on nonclassified documents, including drafts of all-staff messages he was working on.

Mr. Comey told the inspector general that he didn't have an unclassified FBI connection at home that worked, and that "for unclassified work, I would use my personal laptop for word processing and then send it into the FBI." Because the messages were forwarded to work accounts and weren't classified, Mr. Comey said he thought his practice complied with FBI regulations but wasn't sure, according to the report.

The report found that Mr. Comey's use of the personal account was inconsistent with

Justice Department policy, which says personal email accounts should be used for work only in "exigent circumstances."

The sprawling inquiry examined the genesis of the probe, which was code-named Mid-year Exam, investigative measures taken by prosecutors and FBI agents and Mr. Comey's controversial public comments on the matter.

The inspector general's office said it found the Justice Department's conclusion not to prosecute Mrs. Clinton or her senior aides—based on a lack of evidence that her team intended to send classified information on unclassified systems—"consistent with" how the department had approached previous similar cases.

The report determined that Mr. Comey deviated from long-established policies in speaking publicly about the investigation at a news conference in July 2016 and sending a letter to Congress in the days before the election that disclosed the bureau had reopened the probe.

In his July 5 news conference Mr. Comey said the FBI

was recommending no charges be filed against Mrs. Clinton.

"We found that it was extraordinary and insubordinate for Comey to do so, and we found none of his reasons to be

a persuasive basis for deviating from well-established Depart-

ment policies," the report said.

Mr. Comey didn't tell the Justice Department leaders he would be speaking about the case until just before he publicly announced his conclusions on national television.

Mr. Comey said he was still weighing whether to speak publicly when then-Attorney General Loretta Lynch on June 27 held an impromptu meeting with former President Bill Clinton on her Justice Department jet at an Arizona airport.

The inspector general found Ms. Lynch's failure to immediately recognize the problem created by the meeting was "an error in judgment." Mr. Comey said the meeting "tipped" the scales for him and he went forward with his briefing on July 5, the report said.

Mr. Comey defended his actions to the inspector general by saying he did what he thought was best for the bureau and Justice Department. On Twitter, he wrote Thursday: "The conclusions are reasonable, even though I disagree with some."

Speaking on Fox News, Rudy Giuliani, Mr. Trump's personal lawyer, on Thursday called for the suspension of Mr. Mueller, who is investigating whether Trump associates colluded with Russia. "Honest people should be brought in," Mr. Giuliani said. Mr. Trump has denied collusion, and Moscow has denied election meddling.

Wray Vows to Repair Bureau's Reputation

FBI Director Christopher Wray said Thursday that he accepted the findings and recommendations of a withering watchdog report on the bureau's probe into Hillary Clinton's use of a private email server, but he insisted the report does nothing to "impugn the integrity of our workforce as a whole."

The release of the Justice Department inspector general's report could cause more damage to the agency's reputation when it is already under extraordinary political pressure.

Democrats argue the FBI's han-

dling of the Clinton probe cost her the presidency, while President Donald Trump has regularly criticized FBI officials since entering the White House.

Mr. Wray said the bureau was instituting more training to address issues on how to avoid the appearance of bias, dealing with the media and the use of electronic devices.

"We're going to learn from this report, and we're going to be better as a result," he said.

Some former agents worried the report could affect criminal cases and be used as a political bludgeon for years to come.

"Practically, in federal courts around America where FBI agents are raising their right hand, swearing to tell the truth

and give testimony in a case, my fear is that there will be slippage in jurors and perhaps even some judges who say, 'I distrust you a little more than I used to,'" said Ron Hosko, a retired FBI assistant director.

Recognizing the danger to the bureau's credibility, Mr. Wray said he was already making changes, including ordering training for senior officials on lessons from the report and for rank-and-file agents on "what went wrong, so those mistakes will never be repeated."

The training will include "drilling home the importance of objectivity" and avoiding the appearance of conflicts of interest, Mr. Wray said.

—Sadie Gurman and Del Quentin Wilber

Cohen Probe Is Extended to Lobbying

Prosecutors contacted AT&T, Novartis over their dealings with Trump's lawyer

Federal prosecutors in Manhattan are investigating whether Michael Cohen, the longtime personal lawyer for

*By Nicole Hong,
Jonathan D. Rockoff
and Drew Fitzgerald*

Donald Trump, illegally engaged in secret lobbying, people familiar with the investigation said, as part of the government's broader probe into Mr. Cohen's business dealings.

In the course of that investigation, the prosecutors have contacted companies that hired Mr. Cohen as a consultant after Mr. Trump won the 2016 presidential election, including AT&T Inc. and Novartis AG, according to other people familiar with the matter. The companies paid a total of about \$1.8 million to Mr. Cohen in 2017 and early 2018 for his insights into the Trump administration.

Investigators in the U.S. attorney's office for the Southern District of New York are examining whether Mr. Cohen violated any federal disclosure laws in connection with his consulting deals, including whether he lobbied for domestic or foreign clients without properly registering, the people familiar with the investigation said.

Federal prosecutors in New York have been investigating Mr. Cohen for bank fraud, campaign-finance violations and other possible crimes, The Wall Street Journal has previously reported. Mr. Cohen



Michael Cohen, Donald Trump's longtime personal lawyer, leaving federal court in Manhattan after a hearing late last month.

professionally known as Stormy Daniels—in exchange for her silence about an alleged sexual encounter with Mr. Trump. Mr. Trump has denied any such encounter took place.

After the 2016 election, Mr. Cohen was among a handful of longtime Trump aides shopping their access to the White House as companies sought inroads to the new administration.

Novartis, one of the world's largest drug companies by sales, paid Mr. Cohen \$100,000 a month for the 12 months ending in February, for a total of \$1.2 million. The company believed Mr. Cohen could help it understand "how the Trump administration might approach U.S. health-care policy matters," a spokeswoman said last month.

Federal prosecutors in Manhattan haven't interviewed any Novartis employees, and the requests were focused on Mr. Cohen rather than any conduct at Novartis, a person familiar with the matter said. The company is cooperating with the U.S. attorney's office, the person said.

AT&T paid Mr. Cohen's company \$600,000 from 2017 to early this year for "insights into understanding the new administration." The company has said Mr. Cohen's company "did no legal or lobbying work for us."

AT&T hired Mr. Cohen as it was seeking government approval for an \$85 billion takeover of Time Warner Inc. The Justice Department later sued to block the deal. A federal judge ruled against the government on Tuesday.

Aside from mentioning the acquisition, Mr. Cohen's contract with the company also called for consulting on other legislative and regulatory matters.

hasn't been charged with any crime, but the array of possible charges against Mr. Cohen could put pressure on him to cooperate with prosecutors, according to defense lawyers.

Mr. Cohen has previously denied any wrongdoing. Neither he nor his lawyer, Stephen Ryan, responded to a request for comment.

Mr. Cohen has never registered as a domestic or foreign lobbyist, according to federal databases. Under federal law, individuals are required to file a disclosure form if they contact public officials to try to influ-

ence specific policies or legislation on behalf of their clients.

Companies commonly hire consultants to explain new presidential administrations, and such consultants can work for clients without registering as lobbyists as long as they avoid pitching elected officials to adopt specific policies.

Special counsel Robert Mueller contacted Novartis, which is based in Basel, Switzerland, and Dallas-based AT&T late last year in the course of his investigation into whether Mr. Trump's associates colluded with Russia to in-

terfere in the 2016 elections, both companies have said. The companies have said they cooperated with his requests and considered the matters closed. Mr. Trump has repeatedly said there was no collusion between his campaign and Russia.

In April, Federal Bureau of Investigation agents raided Mr. Cohen's office, home and hotel room in New York, seizing millions of documents and more than a dozen electronic devices belonging to Mr. Cohen, according to court documents.

Evidence from the seized materials and the public disclo-

sure last month of the companies' contracts with Mr. Cohen likely led federal prosecutors to seek more information from AT&T and Novartis. The companies were contacted by Manhattan federal prosecutors in recent weeks, people familiar with the matter said.

Mr. Cohen entered into the consulting agreements with the two companies using the Delaware-registered company Essential Consultants LLC, the same entity through which he arranged a secret payment of

\$130,000 to former adult film star Stephanie Clifford—pro-

New York

Sues Trump Charity

Continued from Page One
out to charity more money than it took in, \$19,200,000. I won't settle this case!"

Mr. Schneiderman, New York's former attorney general, resigned abruptly last month after reports he physically abused women. He has denied the allegations. Last month, New York lawmakers named Barbara Underwood the state's attorney general. Ms. Underwood, who has said she won't seek election in the fall, brought the case.

Mr. Trump has previously said he doesn't settle cases, including fraud claims against his now-defunct real estate seminars, Trump University. Mr. Trump settled that case for \$25 million.

The attorney general's office is asking for \$2.8 million in restitution. It also asks that Mr. Trump be banned from serving on the board of any charity in New York for 10 years, and that three of his children—Donald Trump Jr., Ivanka Trump and Eric Trump, who are also named in the suit—be banned from serving on boards for one year each.

"As our investigation reveals, the Trump Foundation was little more than a checkbook for payments from Mr. Trump or his businesses to nonprofits, regardless of their purpose or legality," Ms. Underwood said in a statement.

"This is not how private foundations should function and my office intends to hold the Foundation and its directors accountable for its misuse of charitable assets."

In addition to the lawsuit,

Ms. Underwood on Thursday sent referral letters to the Internal Revenue Service and the Federal Election Commission, asking both agencies to investigate if the foundation violated federal laws.

The lawsuit and accompanying letters compound the legal troubles of Mr. Trump, who is facing investigations on multiple fronts. Manhattan federal prosecutors are probing the business dealings of Michael Cohen, Mr. Trump's longtime personal lawyer. Special counsel Robert Mueller is looking at whether the president's associates colluded with



The state's attorney general, Barbara Underwood, added to Trump's legal woes.

Russia in an attempt to influence the election. Mr. Trump has denied collusion.

Also on Thursday, New York's highest court ruled that a defamation lawsuit brought by a former "Apprentice" contestant may continue, raising the prospect that Mr. Trump could be deposed.

A spokeswoman for Mr.

Trump's lawyer said that the decision was on "purely procedural grounds," and that state courts don't have jurisdiction over a sitting president.

The attorney general's office said its investigation found the foundation raised more than \$2.8 million in a way designed to influence the 2016 election. It said Mr. Trump raised these funds at a nationally televised fundraiser that he held in Iowa instead of participating in a presidential primary debate.

The attorney general's office also alleges that senior Trump campaign staff dictated the timing, amounts and recipients of grants the foundation made to nonprofits.

In one email, dated Jan. 29, 2016, Corey Lewandowski, then Mr. Trump's campaign manager, wrote, "Is there any way we can make some disbursements this week while in Iowa? Specifically on Saturday." Mr. Lewandowski didn't respond to a request for comment on Thursday.

In the days immediately before the Feb. 1, 2016, Iowa caucus, the foundation made at least five \$100,000 grants to groups in Iowa, the attorney general's office said.

The suit also accuses the Trump Foundation of what it calls five self-dealing transactions that it says are illegal because they benefited Mr. Trump or his businesses and weren't made for charitable purposes.

These include a \$158,000 payment to settle legal claims against the Trump National Golf Club and a \$100,000 payment to settle claims against the Mar-a-Lago resort, legal documents say.

The \$100,000 payment stems from the settlement of a lawsuit in which Mar-a-Lago sued the town of Palm Beach, Fla., in a dispute about flagpole restrictions. The attorney

general's office said the settlement required Mr. Trump to contribute \$100,000 to charities.

Documents filed by the attorney general's office include a note in which Mr. Trump directed staff to draw the

\$100,000 payment from the foundation, though the foundation wasn't involved in the suit. The handwritten note, on "Donald J. Trump" stationery, reads, "Allen W; DJT Foundation, \$100,000 to Fisher House (settlement of Flag issue in

Palm Beach)." It is signed with Mr. Trump's initials.

The New York attorney general's office began investigating the foundation in June 2016, legal documents show.

—Richard Rubin contributed to this article.

Tough Allegations, But a Silver Lining

The New York attorney general's lawsuit against President Donald Trump and his family's foundation contains some eye-raising allegations, namely that the foundation "was little more than a checkbook for payments to not-for-profits from Mr. Trump or the Trump Organization."

But the good news for Mr. Trump: The suit's reach only goes so far. First, it is a civil suit, rather than a criminal indictment. The possible penalties aren't prison time, but rather \$2.8 million in restitution

and other measures, like the dissolution of the foundation.

In a tweet on Thursday, Mr. Trump claimed he wouldn't settle the case. But legal experts say such civil suits typically end in settlements.

"These sorts of things always settle, and he has settled allegations before," said Jennifer Rodgers, a lecturer at Columbia Law School and former federal prosecutor. In 2016, Mr. Trump reached a \$25 million settlement to resolve, without admitting wrongdoing, litigation in New York and California involving allegations of fraud at the Trump University.

Also unclear is whether, and to what degree, the case will

involve participation from Mr. Trump. It is unclear if the president would be forced to testify, Ms. Rodgers said.

Lawyers for Mr. Trump have argued in a recent defamation suit by a former "Apprentice" contestant that he should be treated differently because he is president, and furthermore, suits filed in state court, as this one was, don't apply.

Referring to a ruling in the defamation suit on Thursday, a spokeswoman for Trump lawyer Marc Kasowitz said: "Under the Supremacy Clause of the U.S. Constitution, state courts do not have jurisdiction over a sitting President."

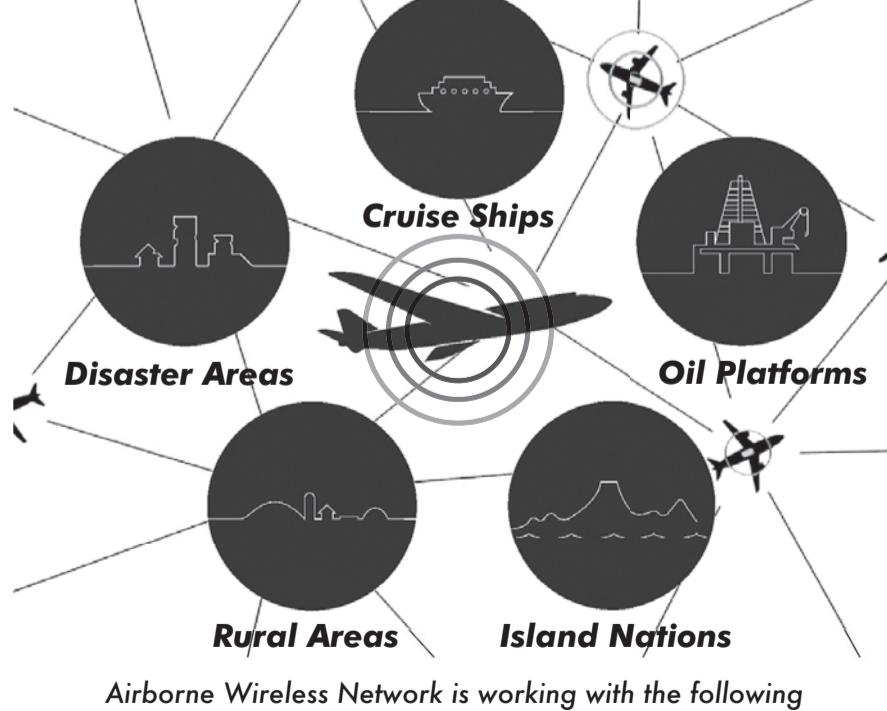
—Corinne Ramey

airborne WIRELESS NETWORK

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network by attempting to use commercial aircraft as mini satellites with the goal of delivering a continuous data signal around the globe. The company's primary target customer-base will be existing worldwide data and communications service providers. Once developed, this technology could be able to connect areas previously not able to receive broadband signals, potentially creating the possibility of connecting the entire globe.



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WORLD NEWS

Pompeo Says China Backs U.N. Sanctions

Beijing follows Japan, South Korea in aim of advancing North Korea's disarmament

BY JEREMY PAGE
AND MICHAEL R. GORDON

BEIJING—U.S. Secretary of State Mike Pompeo said China had committed to maintain United Nations sanctions on North Korea, as he sought to secure international support for rapid progress toward disarming Pyongyang.

Mr. Pompeo met China's President Xi Jinping and other senior officials in Beijing following talks with top South Korean and Japanese diplomats in Seoul to brief them on this week's summit between the U.S. and North Korean leaders.

China, Japan and South Korea had all agreed that U.N. sanctions should "remain in place until such time as that denuclearization is in fact complete," Mr. Pompeo told a joint press conference in Beijing on Thursday with his Chinese counterpart, Wang Yi.

Mr. Pompeo thanked Mr. Xi for helping to bring North Korea to the negotiating table, and said Beijing had "reaffirmed its commitment" to honor the U.N. Security Council resolutions that imposed the sanctions.

Mr. Wang didn't mention sanctions at the press conference, instead reaffirming China's "firm commitment" to the denuclearization of the Korean Peninsula and calling for security guarantees to address North Korea's "legitimate" concerns.

The Chinese foreign minister also gave a noncommittal response when asked if China would support Mr. Pompeo's plan, outlined in Seoul, to try



U.S. Secretary of State Mike Pompeo met with Chinese President Xi Jinping and other officials at the Great Hall of the People in Beijing on Thursday.

to achieve "major disarmament" of North Korea's nuclear weapons within 2½ years.

The difference in emphasis suggests that while both sides are eager to capitalize on the outcome of the Singapore summit, key differences remain on issues such as the timeline for denuclearization and at what stage to start easing sanctions.

Ensuring continued Chinese pressure on Pyongyang is one of the top priorities for Washington following the summit between U.S. President Donald Trump and North Korean leader Kim Jong Un in Singapore on Tuesday.

China backed the North in the 1950-53 Korean War and has been its biggest trade part-

ner for decades, but stepped up enforcement of U.N. sanctions in the past year or so in response to Pyongyang's nuclear weapons and missile tests.

U.S. officials say that was a critical factor in persuading Mr. Kim to halt his tests and begin negotiations with Seoul and Washington.

At a press conference after the Singapore summit, though, Mr. Trump suggested that China had relaxed controls on the North Korean border in recent months. And immediately after the summit, Beijing called for a U.N. Security Council review of the sanctions.

Chinese officials had been expected to press Mr. Pompeo to ease economic pressure on

Pyongyang to make way for a package of Chinese aid and investment that Beijing sees as key way to preserve its influence on the Korean Peninsula.

In Washington, U.S. Adm. Harry Harris, who has been nominated to become ambassador to South Korea, said at his Senate confirmation hearing on Thursday that he was concerned about China moving to ease sanction pressure on North Korea. "I think it important that we maintain those sanctions until we come to the point where we believe that Kim Jong Un, is serious about the negotiation," he told senators.

Adm. Harris also told the Senate Foreign Relations Committee that the U.S. needed to

offer gestures to benefit the negotiation process, without spelling them out.

"I think the first step we have to do is create that space, that negotiating space. And then go forward from there," he said.

Mr. Pompeo noted at Thursday's press conference that the relevant U.N. Security Council resolutions included mechanisms for sanctions relief, and said "we agreed that at the appropriate time that those would be considered." But, he added, "we have made very clear that the sanctions and the economic relief that North Korea will receive will only happen after the full denuclearization, the complete denu-

clearization of North Korea."

He also said China and the U.S. agreed that denuclearization should take place "in a timely fashion" and that security guarantees for North Korea should be provided "at times that are appropriate."

Mr. Wang said the denuclearization process would be worked out "through more detailed and specific consultations going forward" and "China stands ready to play a constructive role in that process."

Beijing is seeking a more active part in negotiations on the Korean Peninsula's future, analysts say, having worried for months that it was being sidelined in talks between Pyongyang, Seoul and Washington.

Pyongyang Turned Extra Secretive in Summit Planning

BY CHUN HAN WONG

SINGAPORE—The secrecy and subterfuge that shrouded parts of Kim Jong Un's Singapore sojourn this week underscored North Korea's obsession with the safety of its supreme leader.

Mr. Kim's flights to and from Singapore featured roundabout routes and unusual midflight call-sign changes apparently aimed at minimizing security threats. Parts of the dictator's schedule in the city-state were a mystery to his hosts until the 11th hour, forcing last-minute logistical scrambles to accommodate his plans, people familiar with the matter said.

The care that Pyongyang took to mask Mr. Kim's schedule appears characteristic for North Korea's secretive dictatorship. His trip to Singapore, where he met U.S. President Donald Trump on Tuesday, was his longest journey away from home since he assumed power in late 2011—taking his security services far from familiar territory.

"The North Korean security apparatus operates with a default setting of extreme paranoia, which would only have gotten more intense when they are taken far out of their comfort zones at home," said Andrew Gilholm, a director of Northeast Asia analysis for Control Risks, a consulting firm.

"Keeping plans secret, changing them and staying unpredictable are standard operating procedures for protecting any leader, but the North Koreans appear to take things to the extreme," Mr. Gilholm said.

Efforts to obscure Mr. Kim's movements started on Sunday, when he and most of his delegation boarded two passenger jets bound for Singapore: an Air China Boeing 747 and a Soviet-designed Il-62 operated by North Korea's flag carrier, Air Koryo.

The Chinese airliner departed Pyongyang first, followed more than an hour later by the Il-62, according to Flightradar24, a flight-tracking service. A third aircraft, an Il-76 freighter, brought along two



Safety Measures

To minimize security threats, Kim Jong Un flew to the North Korea-U.S. summit in Singapore in an Air China jet, taking an unusual route almost entirely through Chinese air space.

luxury cars and other cargo.

On social media, observers tracking the planes speculated whether the dictator was aboard either of the two passenger jets.

The Air China jet flew a somewhat unusual path that aviation experts say appears aimed at enhancing its security. It passed over the Chinese mainland for much of the

flight—placing it well within coverage of China's air defenses and reducing its time over water.

The Boeing 747 first headed toward Beijing under the call sign CA122, according to Flightradar24. As it neared Beijing, the aircraft changed its call sign to CA61 and proceeded toward Singapore.

In Singapore, officials were expecting Mr. Kim to arrive on the second flight—the Il-62—a person familiar with the matter said. But just a few hours before the Air China jet was due to land, officials were notified that the North Korean leader would be arriving on that plane, prompting a rush to prepare his reception.

Key parts of Mr. Kim's itinerary, including his meetings with Singaporean Prime Minister Lee Hsien Loong and Mr. Trump, were carefully choreographed and appeared to go smoothly. Others, however, were thrown together hastily at the North Koreans' request.

Mr. Kim's Monday night tour of downtown Singapore

was arranged just a few hours earlier, after some North Korean officials scoped out sightseeing spots, a person familiar with the matter said.

As the Tuesday meeting between Messrs. Kim and Trump stretched into the early afternoon, it became clear the North Koreans wouldn't be using their scheduled 2 p.m. departure slot. Instead, preparations began for Mr. Kim to depart late Tuesday, the person familiar with the arrangements said.

Mr. Kim left his hotel soon after 10 p.m., traveling to the airport by motorcade. Photographs released by the Singapore government showed him preparing to board an Air China Boeing 747.

Mr. Kim's flight took off about 11:23 p.m., using the call sign CA62, according to Flightradar24. The aircraft traced a path similar to Mr. Kim's Sunday route, in reverse.

After reaching the vicinity of Beijing, the plane switched its call sign to CA121 and proceeded to Pyongyang.



A Chinese textile worker. U.S. tariffs could lead to retaliatory moves.

iffs, China will immediately retaliate with tariffs, said a Chinese official. "We hate unilateral actions," the official said.

Beijing has already said it had prepared its own \$50 billion list of U.S. goods that it would subject to tariffs, especially aircraft and soybeans.

After Beijing made that threat, President Trump upped the ante and said the U.S. would add another \$100 billion of goods to the U.S.'s tariff list.

The U.S. hasn't followed

up on that threat by enumerating what goods would be included in that batch.

On Thursday, Chinese Foreign Minister Wang Yi said China and the U.S. faced a choice between cooperation and mutual benefit on the one side and confrontation and mutual loss on the other.

"China chooses the first," Mr. Wang told a joint news conference, after talks with U.S. Secretary of State Mike Pompeo in Beijing.

"We hope the U.S. side can also make the same wise choice," Mr. Wang said. "Of

course, we have also made preparations to respond to the second kind of choice."

As word filtered through Washington that Mr. Trump was about to make a decision on tariffs, some trade hawks offered qualified support for the president.

Rep. Rosa DeLauro (D., Conn.), a longtime opponent of free-trade deals, said "tariffs must be seen as one tool among many our country can use to hold bad actors like China accountable and to bring the Chinese government to the table to secure a more favorable balance of trade."

But Ms. DeLauro added that Mr. Trump must come up with a "comprehensive strategy" for dealing with Beijing.

The conservative Tax Foundation calculated that the tariffs on Chinese imports, coming on top of U.S. tariffs on steel and aluminum exports, would lower "long-run" U.S. gross domestic product and wages by 0.06%, reduce employment by 45,293 positions and make U.S. taxes less progressive.

—Vivian Salama and Lingling Wei contributed to this article.

Abe Weighs Kim Talks In Pursuit of Abductees

BY ALASTAIR GALE

TOKYO—Japanese Prime Minister Shinzo Abe is weighing a summit meeting with North Korean leader Kim Jong Un to seek a breakthrough in a dispute over Japanese citizens abducted by Pyongyang.

Since North Korea's pivot to diplomacy began early this year, Mr. Abe has stayed on the sidelines, wary of Pyongyang's intentions.

During that time, Mr. Kim has held two meetings each with the leaders of China and South Korea, and a historic first summit with President Donald Trump.

Now, it appears Mr. Abe may dive in.

"We should have a summit meeting that resolves our mutual issues," chief government spokesman Yoshihide Suga said at a news conference on Thursday.

A first meeting between the two leaders could come as early as August or September, according to several mainstream Japanese press re-

ports, although officials say nothing has been decided. The priority, they say, is that any talks produce tangible results.

Japan and North Korea have no formal diplomatic ties, but on Thursday, foreign-ministry officials from the two countries held talks on the sidelines of a conference in Mongolia, Japan's foreign ministry said.

Tokyo's caution reflects its fraught experience in negotiations with North Korea, particularly a 16-year-long struggle to get a full and transparent account of what happened to Japanese citizens who were abducted by North Korea in the 1970s and '80s.

Japanese leaders say that account, along with the release of any living abductees, remains a priority. Japan says at least 12 citizens are unaccounted for, perhaps dozens more.

"Of course we have to make progress on the abduction issue in any summit meeting with North Korea," Mr. Abe told relatives of abductees in a meeting in Tokyo on Thursday.

Trump Approves Tariffs

Continued from Page One
spending amount of U.S. goods.

USTR expects to announce the goods subject to tariffs on Friday and publish them in the Federal Register next week, the individuals said. The affected imports would face 25% tariffs; the products are expected to be similar to those on a preliminary list that USTR released in early April.

The office has held public hearings on the list of 1,300 categories of products to see whether duties on any goods it selected would unduly harm U.S. consumers and businesses.

USTR is expected to cut some of the products from the list and add others, especially high-tech items, the individuals said.

The U.S. decision could become the start of a tit-for-tat series of retaliatory moves. If the U.S. hits China with tar-

WORLD NEWS

Yemeni Forces Advance Toward Rebel-Held Port

By MARGHERITA STANCATI AND DION NISSENBAUM

Yemeni forces backed by a Saudi-led military coalition advanced toward Yemen's main port on Thursday, despite resistance from Iran-backed Houthi rebels who control the city and pleas by the United Nations to halt the battle and resume a political dialogue.

As the fighting intensified around the Red Sea port, the U.S. rejected an appeal from the United Arab Emirates, which is leading the operation, for drone surveillance, minesweepers and more intelligence to help them carry out the operation, one official with the Gulf nation said Thursday.

Faced with an immediate military need to clear the port waters of mines laid by Houthi forces, the U.A.E. turned to France for help. And France agreed to send minesweepers to help them with the operation, the official said. The French Embassy in the U.S. said it wasn't able to confirm that late Thursday.

Capturing Hodeidah could mark a turning point in the three-year conflict, which

pits Houthi rebels against a U.S.-backed Arab coalition that is fighting to help Yemeni President Abed Rabbo Mansour Hadi regain control over the entire country.

Hodeidah is home to Yemen's main port, through which the vast majority of Yemen's foreign aid and food flows. The operation to recapture Hodeidah is aimed at depriving the Houthis of their main economic and military lifeline in the hope this will end the stalemate and pressure the rebels to agree to a political solution.

"If they keep Hodeidah and its revenues and its strategic location, the war will last a long time and the suffering of the Yemeni people will continue," U.A.E. Minister of State for Foreign Affairs Anwar Gargash said Thursday. "The deadlock must end."

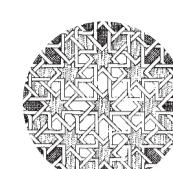
No fighting has yet occurred within the city of Hodeidah itself, where jets were seen overhead on Thursday.

After an emergency meeting on Yemen, the U.N. Security Council on Thursday called for the port of Hodeidah to remain open to allow humanitarian aid and reiterated its support for a political solution to the conflict.



Yemeni civilians received food aid in Hodeidah on Thursday.

Iraq Faces Diplomatic Balancing Act



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

BAGHDAD—As Iraq's fragmented political forces negotiate how to form a new government after last month's elections, two issues loom large.

Will Iraq's recent policy of carefully balancing ties with Iran and its rivals, the U.S.

and Saudi Arabia—an approach championed by Prime Minister Haider al-Abadi—survive in a new political environment?

And will Iraq's new government be able to take painful steps to jump-start economic reforms, eliminating inefficient subsidies and dismantling corrupt patronage networks that stifle development?

The May 12 election dealt a major setback to Mr. Abadi, whose Nasr coalition came in third in the number of parliament seats. It fell behind the Sairun bloc of Shiite cleric Moqtada al-Sadr, who campaigned on a nationalist platform opposed to interference by Iran and the U.S., and the Fateh bloc dominated by pro-Iranian Shiite militias.

With challenges to election results before Iraq's Supreme Court and a possible recount, it will take at best two months—and possibly as long as six months—for the new administration to be formed, Iraqi politicians say. It is far from certain that Mr. Abadi, despite his successes



Ballot boxes were moved from the site of a fire at a storage area in Baghdad earlier this month.

in winning the war on Islamic State, will retain the job he has held since 2014.

Yet, the nature of Iraq's political makeup—and its geopolitical position—is such that Mr. Abadi's legacy of improving ties with Saudi Arabia, Turkey and the U.S. while containing Iran's influence, is likely to remain even if he leaves office.

"Had there been no achievement of a positive balance in relations with other countries, Iraq would not have been able to defeat ISIS," said Abdelhussein al-Mosawi, a lawmaker and secretary general of the Fadila party, a member of Mr. Abadi's bloc. "No future government would be able to stray from that balance."

The head of Mr. Sadr's political bureau, Dhiya al-Asadi, embraced a similar view. "We want good relations with all regional countries, but we don't want them to influence our political decision-making."

A key political development this week was Mr. Sadr announcing a surprise alliance with the Fateh bloc

dominated by Shiite militias—a joining of forces that, despite disagreements on key issues such as relations with Iran, are simply too strong to remain outside government.

"This coalition will act as a safety valve for Iraq," said Razaq al-Haidari, a prominent lawmaker with Fateh. "It ends the accusations of negative foreign intervention in Iraqi affairs. We don't deny that Fateh has strong ties with Iran and that Sairun is welcomed by Saudi Arabia and other Arab sides. This is a healthy sign. This coalition will become the basis of a broader coalition."

Other likely members of this nascent coalition are the centrist Hikma bloc of moderate Shiite cleric Ammar al-Hakim and the mostly Sunni Wataniya coalition led by former Prime Minister Ayad Allawi, and some Kurdish parties.

"We believe in setting up an Iraqi government in the way that protects Iraq from all regional and international conflicts, making it immune

from the hostility between the U.S. and Iran, or between Iran and Saudi Arabia," said Fadi al-Shammary, a member of Hikma's political bureau and its senior negotiator in these coalition talks.

The problem of Iraq's post-2003 political setup is that every party always wanted to be part of the government, enjoying the patronage that comes with controlling a ministry or a province. No significant political force in the departing parliament performed the functions of an opposition.

Mr. Sadr, among others, campaigned on the idea that a new Iraqi government should have a clearly defined ruling majority and a clear opposition—something that Fateh officials also back.

"We would like to abolish the quota system," Mr. As-sadi said. "Parties were dividing the branches of government along ethnic and sectarian lines. We would like the cabinet to be built on professionalism, on a technocratic basis."



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Reuters Institute, YouGov Polling, 2018
Economist/YouGov Poll, Trust News Organizations, 2017
RJI, Trusting News Project, 2017
Pew Research Center: Political Polarization & Media Habits, 2014

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WORLD NEWS

Argentina Moves to Ease Abortion Laws

BY RYAN DUBE
AND ALBERTO MESSER

BUENOS AIRES—Argentine lawmakers narrowly approved a bill to legalize elective abortions following a heated debate over a proposal that would make the country the first major Latin American nation to ease strict antiabortion laws.

After a session lasting more than 22 hours, the lower house of Congress on Thursday voted 129-125 in favor of legislation to allow abortions during the first 14 weeks of pregnancy.

"This is a great day for all women. Women are proud to be taking this step," said Silvia Lospennato, a ruling-party lawmaker who voted in support of the bill. "Women are going to fight for equality, whatever it costs."

Many of Ms. Lospennato's allies in the ruling Cambios coalition opposed the bill, highlighting how political parties were also divided over the proposal. Lawmaker Juan Aicega said he voted against allowing abortions to defend the right to life, while calling for better sexual education to prevent unwanted pregnancies.

"The central point here is life," he said. "In this case, the life of a person who cannot be heard, who can't express their wishes."

The bill will now require approval from the Senate, where the vote is also expected to be tight. President Mauricio Macri has said that while he opposes abortion, he wouldn't veto the legislation if approved in Congress.

The debate over decriminalizing abortions during the first trimester has polarized Argentinians, a country of 44 million.



DAVID FERNANDEZ/EPA/SHUTTERSTOCK

People in Buenos Aires celebrated Thursday's lower-house vote in favor of allowing abortions during the first 14 weeks of pregnancy.

Argentina is the home country of Pope Francis, but the Catholic Church has seen its once-powerful influence wane in recent years.

While the Catholic Church in Argentina has publicly opposed the abortion law, the pope and Vatican have been silent on the debate. Since his election in 2013, Pope Francis

has played down issues of sexual and medical ethics, while being more vocal on social and economic justice, migration and the environment.

The vote comes just weeks after Ireland, another once deeply conservative Catholic nation, overwhelmingly voted to repeal a constitutional ban on abortion, reflecting its transformation to a more secular society.

Argentina is one of Latin America's most secular societies. In 2010, the country legalized same-sex marriage, the first to do so in the region.

Abortion is highly restricted in most Latin American countries, with outright bans in El Salvador, Nicaragua, Honduras and the Dominican Republic, according to the New York-based Center for Reproductive Rights. Elective abortion is legal in Uruguay, Cuba, Guyana and Mexico City.

In Argentina, abortion-rights activists celebrated Thursday's vote as thousands of proponents demonstrated throughout the night outside of Congress, wearing green bandanas and holding signs calling for "legal abortion now."

They argue the law would provide women with access to safe abortions in hospitals in a nation where rights organizations say about 500,000 women undergo clandestine procedures each year. Abortions are outlawed in Argentina except in cases where pregnancies result from rape or when a woman's health is at risk.

"I'm very excited. We fought so many years for this law," said Maria Leivas, a 32-year-old teacher who was demonstrating outside of Congress. "Now, we are going to fight for its approval in the Senate."

Opponents of the bill, which would also permit abortions after 14 weeks in cases of rape and when a woman's health is in danger, said they were outraged over the vote after protesting with signs saying "I march for life" and "don't kill me."

"I'm embarrassed as an Argentine and as a Catholic over what is happening," said Raul Mansilla, a 33-year-old lawyer. "We've lost all our principles and moral values that our grandparents and parents left us."

The Catholic Church in Argentina lamented the vote and called on the Senate to propose alternative legislation so women don't have to seek abortions.

"This decision hurts us as Argentines," the Episcopal Conference of Argentina said.

Supporters of the law say its final approval would be a big step forward for women's rights in Latin America and could lead the way for other countries to follow Argentina in expanding legal access to abortions.

—Silvina Frydlewsky contributed to this article.

The Ultimate Démarche: France Wants to Oust English From the EU

After Brexit, Macron hopes to make French the default language in the bloc's institutions

BY VALENTINA POP

BRUSSELS—As if the European Union didn't have enough to worry about, now it's at odds over what should be its dominant language.

The French president, Emmanuel Macron, wants to make French *grand* again and replace English as the default language in EU institutions, the way it was before Britain joined the bloc in 1973. With the U.K. negotiating to leave the EU next spring, he is eager to restore the linguistic *ancien régime*.

"English has probably never been so present in Brussels as when we're talking about Brexit," Mr. Macron said in March on the Day of *Françophonie*—a celebration of French language and culture observed in more than 70 countries. "This domination is not inevitable," he declared.

Dethroning the Queen's English looks nearly impossible for the soon-to-be 27-

country bloc. Its 24 official languages produce 552 translating combinations—an impractically large number that demands a shortcut.

English is by far the leading foreign language taught in the EU, according to

Lithuanian President Dalia Grybauskaite, known for her pithy tweets during EU leaders' meetings, said that any decision regarding the bloc's linguistic regime "cannot be divorced from reality."

"English is the most popular language of communication in the EU and people will continue to use it," Ms. Grybauskaite wrote in an emailed response.

A more modest, but perhaps not less daunting, challenge is improving the EU's English. The bloc's main translating body says 81% of EU documents are drafted in English, 5% in French, 2% in German and the rest in the 21 other languages. Yet only 2.8% of EU staff are British.

That imbalance prompted Jeremy Gardner, an English

translator from Windsor, to write a handbook of words and phrases frequently misused in the EU. Mr. Gardner, who spent most of his professional life in Italy and Luxembourg, published the last edition two years ago—just one month before Britain voted to go it alone.

Some quirks of EU English his lexicon attempts to correct: An EU document too frequently doesn't "say" something—it "foresees" it. Many staff are known as "contractual agents." Instead of cattle, sheep, goats and donkeys, EU documents speak of "bovine, ovine, caprine and asinine animals."

Much of the odd phrasing is the result of half-translations from French. Officials go "on mission" rather than taking business trips. They draft "fiches," not documents, and talk about "enterprises" rather than companies.

For centuries, French was the language of European af-

fairs and international diplomacy. When Mr. Gardner joined in 1991, his orientation courses in Luxembourg were offered mostly in French.

Vestiges of French pre-eminence linger at the U.S. State Department, which still sends démarches to foreign governments, rather than just letters, and issues communiqués, not simply statements. U.S. ambassadors have a No. 2 called a chargé d'affaires.

U.S. ascendancies in the last century helped English eclipse French. Victory in the Cold War sealed English's lock on Europe because almost everyone in ex-communist countries between Germany and Russia picked English as their preferred second language.

Now Mr. Macron is making a stand. His recently appointed ambassador to the EU, Philippe Léglise-Costa, walked out of a budget meeting in April because English was the only working language.

"Everyone was happy to

speak in English, but once he made a fuss, the others also started demanding interpretation into their national languages," said a Nordic diplomat in the room. "They got their French interpretation for the next meeting, but I'm sure eventually everyone will start talking English again."

Mr. Macron said he wants to "set some rules, to be present, and make French the language with which one has access to a number of opportunities." He pledged to offer more French classes to EU officials and to beef up its international network of French-speaking schools.

Mr. Gardner recently retired from the EU's Court of Auditors, which isn't actually a court. (Its name comes from, you guessed it, French.)

While scoffing at the notion of Brexit restoring French as the bloc's pre-eminent tongue, he predicts it could open the door to something more revolutionary: American English.

FROM PAGE ONE

Judges Mull Leniency On Loans

Continued from Page One
debt untouchable. Borrowers typically must repay student loans over their lifetime, even those facing extreme financial hardship.

In March, Federal Reserve chairman Jerome Powell said he would be "at a loss to explain" why student loans can't be cancelled like other debt. The Trump administration is considering whether to fight cancellation requests less aggressively.

Consumer bankruptcy lawyers are starting to notice that judges are being more flexible. One Las Vegas law firm recently filed the first cancellation request in its 14-year history after hearing a judge at a conference voice concern over student loans. Other lawyers said growing sympathy among judges is making lenders more willing to reach resolutions in court.

"I'm getting really good results with settlements these days," said Chicago lawyer Da-

vid Leibowitz. "I'm not the only one."

Rules governing how student debt is handled in bankruptcy are made by Congress and by judges who issue influential rulings. Several bills in Congress that would erase student-loan debt in bankruptcy have stalled in recent years.

Last year in Philadelphia, U.S. Bankruptcy Court Judge Eric Frank cancelled a single mother's \$30,000 in student loans. Opposing lawyers from the U.S. Department of Education said the borrower needed to prove her hardship would persist 25 years. Judge Frank ruled that the relevant window was five years.

An appeals court overturned his ruling, but his decision inspired a Tacoma, Wash., judge in December to cancel a portion of another borrower's loans.

Such rulings are rare because few troubled borrowers attempt to cancel their student loans, because of the historically slim chances of victory.

Some bankruptcy judges criticize colleagues for re-interpreting well-settled law on student loans. "My view is, if the law is clear, follow it," said retired California judge Peter Bowie.

The push to rethink the legal standard on student-loan debt is bipartisan. Judges inter-

viewed by the Wall Street Journal were appointed during both Republican and Democratic administrations, though bankruptcy judges are appointed by appeals court judges, not the president.

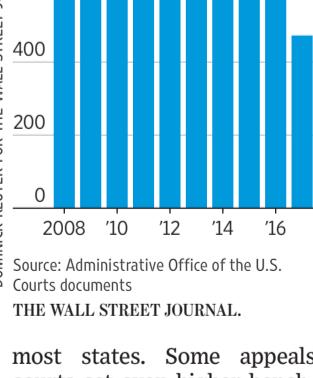
Before 1976, laws allowed borrowers to do away with student-loan debt in bankruptcy. Congress, out of concern that new graduates would take too much advantage of that option, made a new rule: Borrowers could cancel student loan debt after only five years of payments. Judges could grant exceptions if borrowers showed that repaying would cause "undue hardship."

Congress didn't define "undue hardship" so the task of doing so fell to federal judges. When Marie Brunner, a 1982 graduate of a master's program in social work tried to cancel her loans in bankruptcy, a New York judge in 1985 said she had to show three things: she struggled financially, her struggles would continue and that she had made a good faith effort to repay. She lost.

That list still serves as a baseline for hardship in circuit courts that control the rules in

Looking for a Break

The number of bankrupt borrowers who asked a judge to cancel their student loans



Source: Administrative Office of the U.S. Courts documents

DOMINICK REUTER FOR THE WALL STREET JOURNAL

hook for student-loan debt years after college.

Judge Frank Bailey in Boston made that argument in an April ruling wiping out \$50,000 in student loans for a 39-year-old man whose health ailments prevent him from working.

Some judges, including U.S. Bankruptcy Court Judge Michael Kaplan in Trenton, N.J., said they are looking for ways to be more forgiving after seeing their own adult children borrow heavily for their education. Other judges grew concerned after talking to their law clerks. The typical law-school student takes out \$119,000 in loans.

Two judges said they regret their rulings against borrowers more than a decade ago.

Kansas judge Dale Somers said he worked particularly hard to justify the reasoning in a December 2016 ruling that cancelled more than \$230,000 in interest that built up on a couple's student loans from the 1980s. They left bankruptcy owing \$78,000.

Alabama judge William Sawyer declared that student loans had become "a life sentence" in a 2015 decision cancelling a \$112,000 student loan debt for high school science teacher Alexandra Conniff, a single mother of two teen boys whose yearly income is \$59,400.

most states. Some appeals courts set even higher benchmarks, with one, for instance,

saying borrowers must face a "certainty of hopelessness."

In 1998 Congress said any borrower trying to cancel any federal student loans must prove "undue hardship," like Ms. Brunner. Congress gave private student loans the same protection in 2005.

Some of the country's bankruptcy judges are starting to argue that the prevailing legal standard is unintentionally harsh and wasn't meant for adults still on the



Bankruptcy Judge Eric L. Frank cancelled a mother's student loans.

WORLD NEWS

ECB to Phase Out Bond-Buying Program

Bank plans to stop purchases by year-end, but maintain policy of negative interest rates

BY TOM FAIRLESS
AND BRIAN BLACKSTONE

RIGA, Latvia—The European Central Bank is closing a chapter on one controversial policy, government-bond purchases, while extending the life of another: negative interest rates.

The central bank Thursday laid out plans to wind down its giant bond-buying program by the end of this year, but said it likely would wait “at least through the summer of 2019” before raising its deposit rate, now at minus 0.4%.

The ECB’s decision to start phasing out some of its easy-money policies—a day after the U.S. Federal Reserve raised its benchmark interest rate and signaled two more increases this year—comes despite mounting evidence that the eurozone economy is slowing, amid threats ranging from international trade conflicts to political turbulence in Italy.

The ECB is seeking to tread a careful path between ending a contentious stimulus policy that is close to being exhausted under its current rules while stifling any sharp appreciation of the euro and eurozone bond yields that might result.



ECB President Mario Draghi briefs the press on the central bank’s decision to start phasing out some of its easy-money policies.

In that, the ECB was largely successful. Investors appeared to largely interpret the bank’s moves as cautious, focusing in particular on the expectation that interest rates won’t rise before September 2019.

The ECB “has done everything it can to prevent investors from pricing in rising interest rates,” said Joerg Kraemer, chief economist at Commerzbank in Frankfurt. “There is no sign of a real rate hike cycle.”

The euro fell sharply against the dollar, to \$1.1647 from \$1.1816, while yields on 10-year German government bonds dropped to 0.423% from 0.494%. Yields move inversely to prices.

The Euro Stoxx 50 index rose 1.1% and Germany’s export-heavy DAX climbed 1.5%. Eurozone bank shares—which tend to climb as interest rates rise—fell 0.4%.

At a press conference, ECB President Mario Draghi justi-

fied the decisions by pointing to robust underlying growth and a recent rebound in inflation and wages across the currency area.

ECB policy makers “concluded that progress toward a sustained adjustment in inflation has been substantial so far,” Mr. Draghi said. He was cautious on the outlook for the economy, however, stressing that the bank didn’t want to “underplay the existing risks” and that the ECB’s policies

could change if the outlook darkens.

The bank lowered its forecast for 2018 gross domestic product growth to 2.1%, from 2.4%, but raised its inflation projections for this year and next, to 1.7%—not far from the ECB’s target of just below 2%.

Even with Thursday’s move, the ECB lags far behind the Federal Reserve in unwinding crisis-era policies taken after the collapse of Lehman Brothers one decade ago.

On Wednesday, the Fed raised its policy rate one quarter percentage point to a range between 1.75% and 2%, amid rising inflation and the lowest U.S. jobless rate in nearly two decades.

In contrast, the ECB kept its deposit rate unchanged at minus 0.4%. That indicates that the policy gap between the world’s two biggest central banks will widen further.

The ECB said it expected to reduce its bond purchases—due to run at €30 billion (\$35.3 billion) a month through September—to €15 billion in October through December, when the purchases will end.

The ECB was the last of the four major developed-country central banks to engage in large-scale bond purchases, known as quantitative easing, or QE. It only launched QE in 2015, more than six years after the Fed, when policy makers feared the eurozone would fall into deflation.

The policy at times divided the ECB’s rate-setting committee and provoked criticism from public officials in the currency area’s biggest economy, Germany.

Thursday’s decision leaves Japan as the only major central bank with no end in sight to its purchases of bonds and other assets. The Bank of Japan meets on Friday and isn’t expected to announce any policy changes.

On Thursday, investors reacted to the ECB’s announcement to end bond purchases while keeping rates low longer by selling the euro and bidding up stocks. It is the latest example of interest-rate moves returning to the driver’s seat of monetary policy. In the wake of the financial crisis, central bankers rolled out a raft of unprecedented and complex measures, including bond buying and lending facilities for banks, pitching them as a way to lower long-term borrowing costs at a time when short-term rates could go no lower.

Not all investors are ready to write off Europe’s growth prospects. Roland Kaloyan, head of European equity strategy at Société Générale, believes that lackluster economic data in the first quarter is a “temporary soft patch,” and that “fundamentals remain very solid for eurozone growth,” whereas he expects the U.S. economy to go into a recession around 2020.

Others believe the euro will continue to weaken further this year, but think that markets are swinging too far in favor of U.S. growth.

Next year, “we expect the euro to rebound against the dollar even if the ECB only hikes late in the year,” said Ingvild Borgen Gjerde, an analyst at Capital Economics. “We think the Fed’s tightening cycle will come to an end in mid-2019, far sooner than is discounted in the markets.”

Georgi Kantchev contributed to this article.

U.S., World Economies Diverge

Continued from Page One
world economy’s first synchronized expansion in years would continue.

The International Monetary Fund said in January that the world’s seven largest economies each grew more than 1.5% in 2017, and it predicted more solid growth this year. Global manufacturing was booming and the IHS Markit global purchasing managers index that month was its strongest in nearly seven years.

Many investors counted on a revitalized Europe to lead that growth in 2018. But recent labor strikes in France, political turmoil in Italy and softer economic data are causing investors to rethink that premise. Germany last week reported that factory orders dropped 2.5% in April, while eurozone growth was 0.4% in the first quarter, down from 0.7% in the final quarter of 2017. On Thursday, the ECB revised down its eurozone growth expectations for this year to 2.1%, from 2.4%.

“When we look at Europe, the very strong momentum we saw in data last year has been waning this year,” said Holly MacDonald, chief investment strategist at Bessemer Trust.

Europe isn’t the only region to show signs of cooling down. The People’s Bank of China this week also left a suite of key short-term interest rates unchanged. New data showed business activity, including investment and retail sales, slowed in May, suggesting the world’s second-largest economy is facing growing headwinds.

The disappointing figures “warranted China to take a cautious tone,” said Tommy Xie, an economist at OCBC Bank.

In the U.S., meanwhile, recent data suggest an economic expansion that just became the second-longest in the nation’s history is accelerating, rather than slowing down.

The U.S. economy grew modestly over the winter—at a 2.2% annual rate in January through March—but seems to be ramping up further this spring. Growth is on track to exceed a 4% pace in the three months ending in June, which would be the fastest of any quarter in almost four years.

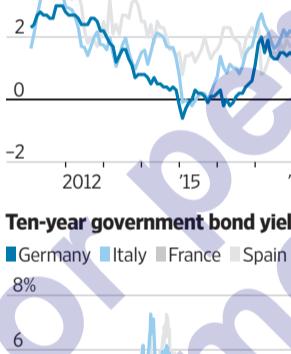
Spending at U.S. retailers soared 0.8% in May, the biggest jump in six months, according to U.S. government data released on Thursday. Consumers, spurred by tax cuts and the lowest unemployment in half a century, shelled out more for cars, clothing, building supplies, health products and bar tabs.

“We may be entering a new level of consumer spending right now,” said economist Robert Frick of the Navy Fed-

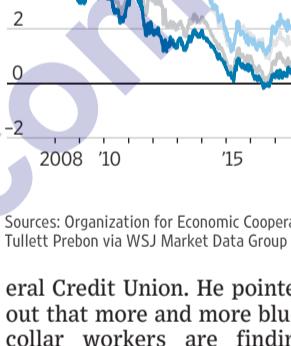
Low for Longer

The euro tumbled against the dollar and bond prices rallied after the European Central Bank promised not to raise interest rates for a year, affirming—along with higher U.S. inflation readings—an expanding trans-Atlantic growth gap.

Monthly consumer-price index, annual growth rate



Ten-year government bond yields



Sources: Organization for Economic Cooperation and Development (CPI); Tullett Prebon via WSJ Market Data Group (euro); Thomson Reuters (bonds)

Change in the euro vs. the dollar

■ Thursday’s meeting
■ Meetings since 2013



Workers, who save more.

He added that low unemployment, strong consumer spending and modest inflation are likely to keep the economy on strong footing this year: “We’re in a Goldilocks zone right now.”

In the eurozone, rates have stayed pegged at negative levels—now at minus 0.4%—since 2014. Despite some initial concerns, investors have become more relaxed about possible unintended effects of negative rates on the economy.

WORLD WATCH

ARGENTINA

Central Bank Gets

A New President

Argentina’s Central Bank President Federico Sturzenegger resigned as the peso continued to lose value against the dollar, a week after authorities reached a deal with the International Monetary Fund for financial support.

Mr. Sturzenegger will be replaced by Luis Caputo, the current finance minister, according to the president’s office. The Finance Ministry will be merged into the Treasury Ministry.

The Argentine currency weakened more than 6% against the dollar on Thursday.

—Ryan Dube

GREECE

Parliament Passes

Austerity Measures

Parliament approved the last big austerity package of its eight-year bailout program, preparing the country for its full return to financing itself on bond markets beginning this summer.

Lawmakers passed measures that included pension cuts, income-tax rises and privatizations.

—Nektaria Stamouli

U.S. Trade Stance Starts to Slow German Growth

By NINA ADAM

FRANKFURT—President Donald Trump’s trade threats aren’t only hurting feelings in Germany. They are beginning to weigh on the country’s economy.

The European Union’s largest economy, whose export-oriented vigor has kept the continent afloat for more than a decade, is cooling more rapidly than expected in what economists see as the early fallout from protectionist moves by the U.S.

The slowdown comes just as Europe has been gradually emerging from the economic hangover caused by the continent’s debt crisis in 2010.

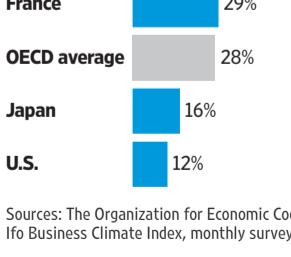
After years of robust growth fueled by foreign demand for premium cars and engineering goods, Germany saw its annualized growth rate roughly fall by half in the first quarter of 2018. Exports have fallen in three of the first four months of the year, manufacturing orders are off and sentiment indicators are falling.

The weakness can’t be blamed on the U.S. president’s “America First” policies alone. A cold winter and a bad flu

Dimmer Future

Germany, whose economy is heavily reliant on exports, has seen its business outlook worsen amid protectionist moves by the U.S.

Exports of goods and services as a share of GDP, 2016



Sources: The Organization for Economic Cooperation and Development (exports); Ifo Business Climate Index, monthly survey of about 9,000 enterprises

German business climate index

■ Current business situation
■ Overall business climate
■ Outlook for next six months



THE WALL STREET JOURNAL.

epidemic appear to have slackened earlier this year. But the bad news has been so persistent since then that economists are now looking for other explanations.

“It’s clear that concerns over protectionism and the more assertive foreign-policy stance of the U.S. have begun to have real economic implications,” said Oliver Rakau, a Frankfurt-based economist

with Oxford Economics.

Because Germany is so dependent on international trade, economists argue, the protectionist cries coming from the White House are having a chilling effect even in the absence of an all-out trade war, damping both sentiment and actual economic activity.

Germany’s economics ministry on Wednesday warned the trade dispute was causing

some businesses to take a “wait-and-see position” concerning investments.

Last weekend, Mr. Trump reiterated threats of punitive levies on imported cars, Germany’s flagship industry, and threatened to shut the entire U.S. market to other industrial nations if he didn’t secure better terms of trade with them.

An earlier decision by the Trump administration to place tariffs on steel and aluminum imports has infuriated European Union officials, who filed a World Trade Organization challenge against the U.S. measures and announced rebalancing duties on American exports expected to kick in early next month.

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GREATER NEW YORK

Unwelcome Population

Brooklyn dominates the list of rodent complaints in the city

Borough	Neighborhood	Rodent complaints in 2017
Brooklyn	Bedford-Stuyvesant	1,265
Manhattan	Harlem	865
Manhattan	Upper West Side	731
Brooklyn	Bushwick	612
Brooklyn	Crown Heights	596
Brooklyn	Williamsburg	509
Brooklyn	Prospect Heights	440
Brooklyn	East New York	437
Manhattan	Washington Heights	420
Brooklyn	Flatbush	369

Source: Rentshop.com

New York's Rat Woes Are Spurring More Calls to 311

BY LARA KORTE

New Yorkers are well aware the city has a rat problem, and they are getting more vocal about it.

Complaints about the rodents to the city's 311 line rose 10% last year and have risen each year since 2014, according to a recent analysis, conducted by the apartment rental site Rentshop.com.

Among neighborhoods, Bedford-Stuyvesant had the most gripes about the pests in 2017, followed by Harlem and the Upper West Side.

Of the boroughs, Brooklyn had the most total complaints, with 7,253, followed by Manhattan, with 4,507, the most per square mile, according to the analysis.

The Upper West Side drew attention last summer when parents in the neighborhood reported rats jumping into strollers in search of food.

"They're everywhere, sometimes they're in people's houses," said Jonathan Vargas, a lifelong resident of the Upper West Side, on Wednesday afternoon as he was dog-walking in Riverside Park. "Especially, it's crazy in the summertime, because that's when all the garbage is out."

A city Department of Health and Mental Hygiene official was quick to point out that a high number of complaints doesn't necessarily indicate a higher number of rats.

"Rat complaints aren't an accurate measure of the number of rats in a given neighborhood," said Caroline Bragdon,

Bragdon said. "Nobody wants to walk down their block and see rats, they don't want to pick up their kids from school and see rats."

The city doesn't have a figure for the number of rats that live in the city, and estimates vary. In 2014, Jonathan Aucherbach, a doctoral student at Columbia University, esti-

10%

The increase in rat complaints last year to a city hotline.

mated the population to be around 2 million.

Elected officials on both the state and city levels have been working with the health department to combat the problem. In the fall, Mayor Bill de Blasio announced \$750,000 in funding to eradicate rats in parks on the Upper West Side. Earlier this year, the mayor announced a plan to step up rat eradication at the city's public-housing complexes, aiming to lower the rat population by 70%.

The annual increase in rat complaints slowed last year after rising more than 30% for the previous two years, according to the data provided by Rentshop.com.

New York City Councilwoman Helen Rosenthal, whose district includes the Upper West Side, has used discretionary public funds to introduce Bigbelly trash bins—solar-powered receptacles that compact trash and are sealed off to vermin—as well as to increase the rate of trash pickup in Riverside Park.

A spokeswoman for Ms. Rosenthal said she wasn't surprised to hear about the high number of complaints coming from the Upper West Side. Her district office has "made a big effort to encourage people with anything, any quality-of-life issue, to call 311," the spokeswoman said.

New York Assemblywoman Linda Rosenthal, whose district includes the neighborhood, has also joined the fight against rats.

"It's no surprise the Upper West Side is among the top three neighborhoods for rat complaints citywide for 2017; any one of my constituents who used the parks or playgrounds last summer would tell you that it was the rodents."

"In New York City, rats are a quality-of-life problem," Ms.

Please turn to page A9B



Lawmakers have been working with health officials to combat the rat problem in New York City.

director of neighborhood interventions for pest control services at the health department.

The health department says some neighborhoods have higher concentrations of rats than others. The city has a rat information portal that lets residents view where recent rodent inspections took place, and whether or not the building passed. The health department conducts an inspection whenever it receives a complaint, in addition to performing its own proactive inspections throughout the city.

"In New York City, rats are a quality-of-life problem," Ms.

Please turn to page A9B

Cable Company Under Fire

Regulator says Charter didn't meet obligation to expand broadband following merger deal

By JOSEPH DE AVILA

A New York regulator threatened Thursday to revoke its approval of Charter Communications Inc.'s takeover of Time Warner Cable Inc., saying Charter had failed to hit goals for expanding broadband service that were a condition of the deal.

The New York State Public Service Commission also ordered Charter Communications, known as Spectrum, to

pay \$2 million as a penalty. John Rhodes, chairman of the Public Service Commission, said the company must implement the regulator's required conditions "or run the risk of more severe consequences"—a breakup of the merger.

In a regulatory filing from May in response to an earlier Public Service Commission order, attorneys for Charter Communications objected to Mr. Rhodes's conclusions. They said its expansion efforts satisfied all of the required conditions. On Thursday, the company repeated that view.

"Spectrum has expanded its network infrastructure to bring broadband to tens of

thousands of residences and businesses in New York State," a company spokesman said. "We exceeded our last commitment, and we continue to meet our merger obligations."

As part of Charter's \$60 billion takeover of Time Warner Cable, the company promised to incrementally expand its broadband services, to reach a total of 145,000 unserved and underserved homes and businesses in New York state within four years. But Charter ran into delays and entered a settlement with the commission in 2017 to lower its expansion targets.

Charter was required under the settlement to expand its services to nearly 37,000

homes and businesses by December 2017 and meet six-month milestones after that.

If the company failed to hit those targets, it would be subject to paying \$1 million for each failed milestone. Charter would also be on the hook for an additional \$1 million if it didn't correct its missed targets.

A Public Service Commission audit disqualified about 14,500 of the homes and businesses from the company's December tally. Because of those disqualifications, the regulator said the company didn't meet its obligation for that month.

That was the basis for the commission's Thursday order to pay \$2 million.

In New Jersey, All Bets Are On



TRYING HIS LUCK: Gov. Phil Murphy placed two \$20 bets at Monmouth Park racetrack Thursday, as wagering on professional sports became legal in the state. He backed Germany to win soccer's World Cup and the New Jersey Devils to win next year's Stanley Cup.

Actress Sees 'Dietland' as a Timely Tale

BY BARBARA CHAI

finding their voice, loving their bodies, and fighting against discrimination, resonate for you?

I'm really excited to work on something that is so unabashedly feminist and explores so many different parts of [a] patriarchal system that suppresses women. I love that it's exploring all those things in this satirical way.

So she auditioned for the part of Leeta, a feminist who observes other women and, sensing they could use some help or support, quietly reaches out as an ally. "I just knew who I thought she was and what I wanted to do with her. That's always the best, when you get cast in a role that you very quickly think, 'I'd like to know this person,'" Ms. Darke says.

The series, created by Marti Noxon ("Buffy the Vampire Slayer," "Unreal"), premiered this month on AMC, and also stars Julianne Margulies and Joy Nash. The show is filmed on location throughout New York.

Ms. Darke spoke with The Wall Street Journal about the show.

Does this story, about women

was walking down the street one day and this girl was walking ahead of me in this fabulous combination of a giant ballroom skirt with a leather jacket and combat boots. I took a picture of her from behind because I felt like that is some version of real-life Leeta.

One of the "Dietland" story lines is about exacting revenge upon men who have been accused of sexual assault. Does the show seem particularly timely?

When we were in prep, I

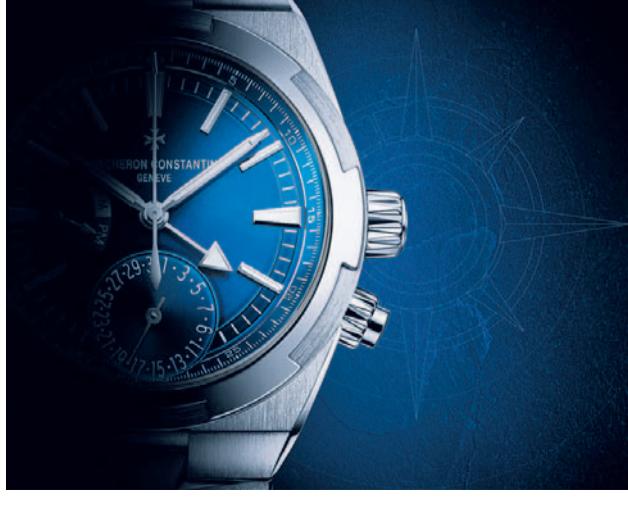


"I'm really excited to work on something that is so unabashedly feminist," says Erin Darke, who plays Leeta on AMC's "Dietland."

Yes and no. Honestly, I think it's been timely for decades, just in a more underground way. When I auditioned, it was before the Weinstein stuff broke and the resurgence of #MeToo. It's relevant right now because we're talking about these things, but we're talking about these things because they've been happening for a long time.

You starred in another series about women fighting the patriarchy, Amazon's "Good Girls Revolt." It was not renewed for a second season, and then the head of Amazon Studios quit after facing claims of sexual misconduct.

I was so upset when that show wasn't renewed. I think I will always be a little upset with what happened to that show. It seemed the show was prescient in its timeliness. But it was a lesson for me in how much this industry is still controlled by men. We had this show with so many female creatives and at the end of the day, it was a dude in an office who got fired for sexual harassment who got to make the decision.



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GREATER NEW YORK

Brooklyn Leads City In Rat Calls

Continued from page A9A
that ruled the roost," the assemblywoman said.

A spike in rat sightings happens every summer, said the city health department's Ms. Bragdon. Warmer weather means more people in parks leaving food waste for the rats, which breed during the summer.

After the increase in complaints and multiple failed inspections on the Upper West Side, city departments have been coordinating to ramp up the effort against rats.

Ms. Bragdon said the health department has been working with parks to reduce litter and open food waste, as well as working with schools to reduce food waste left out on curbs. The extermination teams have also adopted dry ice as a safe method of killing rodents.

"Everyone has a role in rat control," Ms. Bragdon said.

CORRECTIONS & AMPLIFICATIONS

New York City has committed \$500 million to build up to a thousand affordable apartments for low-income senior citizens on vacant land at public-housing developments and on other city-owned property. An article Wednesday incorrectly said the money will build thousands of apartments and it omitted mention of other city-owned locations.

The total gross to date for Broadway's "The Band's Visit" is slightly above \$33 million, or almost 92% of the show's potential gross. The total and percentage were incorrect in an article Tuesday.

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

BY CHARLES PASSY



As someone who has spent a good part of his journalistic career writing about food, I take a certain pride in the fact I will eat anything and everything.

A taco stuffed with chile-dusted fried grasshoppers? No problem. An ice cream made from durian, the infamously pungent fruit? Bring it on.

But about a decade ago, I came across a Japanese specialty known as natto, a dish of fermented soybeans. It smelled like a stinky cheese left outside the fridge for at least an hour too long. But even more notable was the texture: If you think okra is slimy, imagine okra that, on a scale of 1 to 10, goes to 11, to borrow the "Spinal Tap" phrase.

I gagged after my first bite. Needless to say, there wasn't a second bite.

Now, something I never would have predicted is happening: Natto is getting a New York following.

Asian markets are carrying several imported versions from Japan. I counted about two dozen at Mitsuwa Marketplace in Edgewater, N.J., where the natto is broken into categories based on the size of the soybeans, from large to extra-small.

A local brand also has emerged. Ann Yonetani, a microbiologist, is behind a two-year-old artisanal natto company, called New York Natto. She led a tasting event at Japan Society last month.

Ms. Yonetani doesn't deny that natto poses a challenge, especially to those who didn't grow up eating it, like she did as a Japanese-American child raised in Philadelphia. But at Japan Society,

Is Natto the Next Big Thing?

Stinky and slimy to some, the Japanese fermented soybean dish is gaining fans in New York



At a Japan Society tasting, natto spiced up different dishes, including a parfait with yogurt, at top of the plate below, and sushi.



she spoke of the health benefits it offers as a fermented food and the creative ways it can be used in dishes ranging from pizza to desserts.

"I think America is finally

ready" for natto, she said.

But am I finally ready?

To find out, I sampled a fair bit of natto. I tried some straight from the package in versions I bought at Mitsuwa.

This time, I was able to get past the smell, but the slime factor was still a turnoff. Every time I picked up the natto with my chopsticks, I couldn't get past the trail of goo that followed, as if the beans were primordial creatures emerging from the ooze.

I had an easier time with the offerings at the Japan Society event. Here, natto was the spice, if you will, rather than the main ingredient. Indeed, in a parfait with coconut-milk yogurt, honey, fresh fruit and a milder-tasting New York Natto product made with black soybeans, the smell and slime were almost completely unnoticeable.

I recognize I walk a fine line when I talk about natto or foods from other cultures. What I call slime, the Japanese call "neba neba," and they consider it a prized cu-

linary trait.

I learned that natto is very much a morning favorite, served as part of a hearty Japanese breakfast that will typically also include broiled fish, vegetables and miso soup. So I went to Panya Bakery NYC, a Japanese spot in the East Village that offers just such a spread.

Sachi Kriss, Panya's manager, explained to me that the dishes are intended to complement the accompanying bowl of rice that is actually the centerpiece of the meal. I enjoyed it all, except for the natto, which still went largely untouched after the first bite.

No worries, though. Ms. Kriss says if I come back, she will make a substitution for the natto, as she does with most of her non-Japanese customers. "I don't expect them to eat it," she said.

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LIFE & ARTS

THEATER REVIEW

By Terry Teachout

The Farcical Ties That Bind

Pittsfield, Mass.

BARRINGTON STAGE Company, one of the best-known theater companies in the Berkshires, has also become in recent seasons a significant force in regional musical-comedy production. In addition to the 2014 Broadway revival of "On the Town," which originated there, the company has also mounted Broadway-worthy stagings of "Guys and Dolls" and "The Pirates of Penzance," and in 2004 it served as the incubator for "The 25th Annual Putnam County Spelling Bee," the best new musical of the past decade and a half. Now William Finn and Rachel Sheinkin, the authors of "Spelling Bee," have returned to Barrington Stage with "The Royal Family of Broadway," and it looks like a winner in the making, a musical that is already uproariously entertaining and has the clear potential to evolve into a bulletproof commercial hit.

"The Royal Family of Broadway" is based on the 1927 backstage comedy in which George S. Kaufman and Edna Ferber spoofed the eccentricities of Ethel, John and Lionel Barrymore, who once were America's first theatrical family but are now mostly remembered only by golden-age movie buffs. While the farce-flavored plot is complicated to a pleasingly fantastic degree, it is driven by the simplest of dramatic premises: Julie and Gwen Cavendish (Laura Michelle Kelly and Hayley Podschun), the daughter and granddaughter of Fanny (Harriet Harris), the domineering matriarch of the Cavendish family, simultaneously decide to marry "civilians" (Alan H. Green and A.J. Shively) and quit the stage in favor of a quieter life. Meanwhile, Tony (Will Swenson), the most flamboyant and successful of the Cavendishes, gets himself into serious trouble in Hollywood (it seems he stabbed a disagreeable director) and opts to depart for the Himalayas and a similarly quiet life of spiritual exercise. Needless to say, chaos ensues.

Like the five other Kaufman-Ferber collaborations, "The Royal Family" (the shorter title of the original play) no longer gets done as much as it used to, but the Manhattan Theatre Club did bring it back to Broadway in 2009 for the first time in three decades. It struck me as amusing but far too long—prime fare for transformation into a musical, in other words, though the notion didn't occur to me then. That was Mr. Finn's idea, and Ms. Sheinkin's book, which derives in part from an earlier, unproduced script by Richard Greenberg, lifts some of its best lines from the play ("Marriage isn't a career—it's an incident!") and leaves the Roaring Twenties period setting intact but otherwise goes its own merry way with sure-footed skill.

Shapely melody is not Mr. Finn's strong suit. Please turn to page A11



Alan H. Green and Laura Michelle Kelly

DANIEL RADER



DISNEY/PIXAR (2)

FILM REVIEW | By Joe Morgenstern

'Incredibles 2': Settling for Less

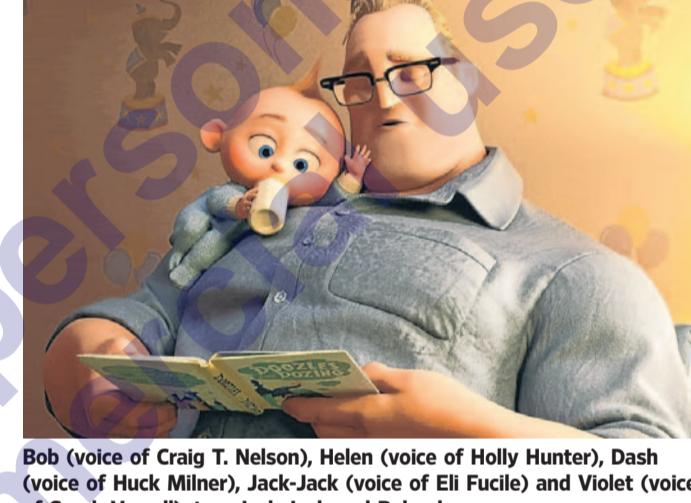
Disney's long-awaited sequel doesn't live up to the matchless original

PIXAR'S "THE INCREDIBLES" was an instant classic when it opened almost 14 years ago, a great film about the possibility of greatness. Disney/Pixar's "Incredibles 2" is a great-looking sequel about the importance of family, and the potential for revenue.

Like the original—the matchlessly original original—this new animated feature was written and directed by Brad Bird. The action begins shortly before the previous film ended. Once again we see the surfacing of a stupendous conical drill from beneath the streets of Metroville, and the full-bore emergence of a villain called The Underminer. It's grand to have the superpowered stars back on the big screen: Bob Parr (Craig T. Nelson), aka Mr. Incredible; his wife, Helen (Holly Hunter), aka Elastigirl; and their variously empowered children—Violet (Sarah Vowell), who figures touchingly in a kind of proto-romantic preface; Dash (Huck Milner); and little Jack-Jack (Eli Fucile). And it's good to see the family striving to save the world once again, to the accompaniment of Michael Giacchino's brilliantly brassy music.

As the action gathers speed, though, the story, undermined by repetition, is slow to develop beyond themes that were established the first time around. By plunging heedlessly into doing good deeds, Bob earns opprobrium or worse, just as he did before. Superheroes as a class are illegal, as they were before, and great gobs of dialogue are devoted to the ban, along with discussion—as opposed to action—about whether unjust laws should be respected or broken. Marginalized yet again, Bob faces the dismal prospect of returning to the private sector, where he previously toiled as a clerk at an HMO.

Those of us who hoped for a bold new fix on the family and its exploits may be disappointed, but shouldn't be surprised. Rare is the sequel that approaches (let



Bob (voice of Craig T. Nelson), Helen (voice of Holly Hunter), Dash (voice of Huck Milner), Jack-Jack (voice of Eli Fucile) and Violet (voice of Sarah Vowell), top; Jack-Jack and Bob, above

alone surpasses, as in the case of "Toy Story 2") the quality of the movie that spawned it. The calculation for "Incredibles 2" is clear. It's an action-adventure crossed with domestic comedy, a film that finally finds its narrative mojo in a plot turn both serviceable and oddly arbitrary—the appearance of a telecom tycoon named Winston Deavor (Bob Odenkirk). Winston claims to love superheroes; he wants to put them back in public life by rebranding them with the help of titillating video feeds from bodycams, then marketing them on a global scale. (The tycoon's sister, a tech-savvy inventor named Evelyn, is voiced by Catherine Keener.)

In practical terms, this means that Winston goes for the glitz by devoting all his promotional skills to Elastigirl, with her iridescent suit and endlessly extensible limbs. In family-dynamic terms, it leaves Bob struggling comically as a house-husband—shades of Michael Keaton in "Mr. Mom"—while Helen, the woman warrior, threatens to get all the ink, buzz and fame for taking on the Screenslaver (Bill Wise), an almost omnipresent villain who enslaves people's minds via TV and computer screens.

In entertainment terms, Bob's enforced domesticity opens the way for the creation of a new star who may be the answer to a media conglomerate's prayer. Jack-Jack, the baby of the family and a reliably adorable goo-goo-er, turns out to have powers no less super than those of his elders. Any doubts about Jack-Jack's potential as a stand-alone character are laid to rest by his furious combat with a raccoon, his almost demonic gift for projecting energy beams with his eyes, and a talent for multiplication—not the times-table kind, but splitting into identical selves—that could make Jack-Jack as valuable a commodity for his studio as the Minions who stole the show in Universal's "Despicable Me."

Saying more about where the story goes might risk dispensing spoilers; suffice it to say that everything sets up neatly for another installment in the franchise. But the first film, back in 2004, was a spoiler in its own right—a masterpiece that spoiled us lavishly with groundbreaking computer animation, a surfeit of marvelous characters, sly social commentary and an insistence, with Bob and Helen as fantasy examples, that we can achieve greatness if we refuse to settle for less.

Yet that was then; now seems more a time for good-enoughness, and "Incredibles 2" is plenty good enough as exuberant entertainment with elegant graphics, plus a showcase for female superempowerment. Frozone (Samuel L. Jackson) makes a return engagement, though his presence seems perfunctory. The fashion designer Edna Mode is back too, though she doesn't have enough to do. But then tiny Edna, a towering comic creation voiced again by Mr. Bird, would be fulfilled only by starring in her own movie. In this one she gets the best word, if not the last, on Bob's new calling. "Done properly," Edna says, "parenting is a heroic act."

FILM REVIEW | By Joe Morgenstern

'TAG': MORE THAN A GAME

AS A MEMBER of this newspaper's staff, I can't be objective about "Tag," which was adapted freely—very freely—from a terrific piece of feature writing that appeared in the Journal back in 2013: I went into the screening hoping for a triumph. And? The film can be seen from two perspectives. In one, it's nothing but grown men behaving like idiot kids as they chase around the country in an annual game of tag they've been playing ever since they were actual kids; therefore its prospects may be limited. In the other, it's nothing but grown men behaving etc., etc.; therefore it could be a huge summer hit. For all its repetitiveness and frantic silliness—the impurity of its absurdity—"Tag" ends up being good fun, with an unexpectedly sweet spirit that stays with you. It's really about

the persistence of friendship, a vision of adult life as the playground we would love it to be.

The original article, by Russell Adams, concerned 10 men in their 40s who were continuing a game of tag they'd started 23 years earlier, as classmates at a Spokane, Wash., prep school. The game, which they played during one month of every year, had evolved into a nationwide chase, with shifting alliances and spouses functioning as spies. Yet the basic rules remained those of the schoolyard: Someone was "It" until he tagged someone else.

The movie version was directed with unquenchable verve by Jeff Tomsic, who's making his feature debut; Larry Blanford did the quite elegant cinematography. The script, by Rob McKittrick and Mark Steilen, halves the group's number

but raises the game's duration to 30 years, hoists the emotional stakes to mock-epic levels, puts incessant banter into everyone's mouths, and parodies kung-fu conventions in amusing slo-mo sequences.

Jeremy Renner is the production's action-adventure star. He plays Jerry, a fitness guru and martial artist who, alone among the five aging buddies, has never been tagged. (Mr. Renner, as funny as he is impressive in the role, broke an elbow and a wrist during filming.) The organizing idea of this disorganized drama is Jerry's impending wedding. During the ceremony, the others reason, his guard will be down and they'll be able to tag him once and for all.

Those other members of the group are Hoagie (Ed Helms), Calahan (Jon Hamm), Sable (Hanni-

bal Burek) and Chilli (Jake Johnson); the cast includes Isla Fisher as Anna, Hoagie's ferociously competitive wife; Leslie Bibb—who has the broadest smile since Martha Raye—as Susan, Jerry's fiancée; and Annabelle Wallis as Rebecca, the fictionalized reporter from The Wall Street Journal. I've never met Mr. Adams, so I don't know how fictionalized his counterpart is. I can report only that Rebecca is physically beautiful and professionally dutiful. "What's happening here?" she asks anxiously at one point. At another, shortly after a crazed golf-cart chase, she says: "Wait a minute! I'm confused. What just happened out there?" Taking copious notes from start to finish, she lends gravitas to the proceedings, and will serve as an inspiration to all the ink-stained wretches of our industry.



Jake Johnson, Ed Helms and Jon Hamm in Jeff Tomsic's film, adapted from a 2013 Wall Street Journal story

WARNER BROS.

LIFE & ARTS

TELEVISION REVIEW | By Dorothy Rabinowitz

Where, Oh Where Is Love?

Looking at gay identity across two generations

'MAN IN AN ORANGE SHIRT' begins its story of forbidden love in Italy, a hellish wartime setting soon to turn impossibly romantic. World War II is coming to an end when British Capt. Michael Berryman (Oliver Jackson-Cohen) rescues a wounded officer he recognizes as his old schoolmate Thomas March (James McArdle).

Love quickly blooms between the two, bombs bursting in air notwithstanding. But the obstacles are enormous and immediately obvious—the most significant being that Michael is engaged to be married and cannot imagine doing otherwise.

Both will soon return to 1940s England, where homosexual acts are considered crimes punishable by jail terms—a state of affairs that endured till 1967. By far the deeper pain—to Thomas—is the fact of Michael's marriage to Flora (Joanna Vanderham). The most eloquent testament to the love between the two men is the letters they wrote in Michael's case, love letters kept in a not terribly hard to find place

in his desk, and which therefore served a traditional function of correspondence of this kind. Namely, to alert a wife that she has been betrayed by her husband—in this case not with another woman.

The film moves on two generations to another era, our own—and regrettably, for the most part, except for the luminous presence of Vanessa Redgrave, extraordinary as Flora, now grown old. She lives with her grandson, Adam (Julian Morris), a young gay man-about-town not altogether happy with himself. Adam travels in a world where gay sex is celebrated, and available. He's a regular user of dating apps, but he's just not a happy guy—which is, of course, the point of this final section, awash in sermonizing on the necessity of finding true love. It's a measure of the messaging here when Adam, in one grand swoop, obediently deletes all the gay hookup apps on his cellphone.

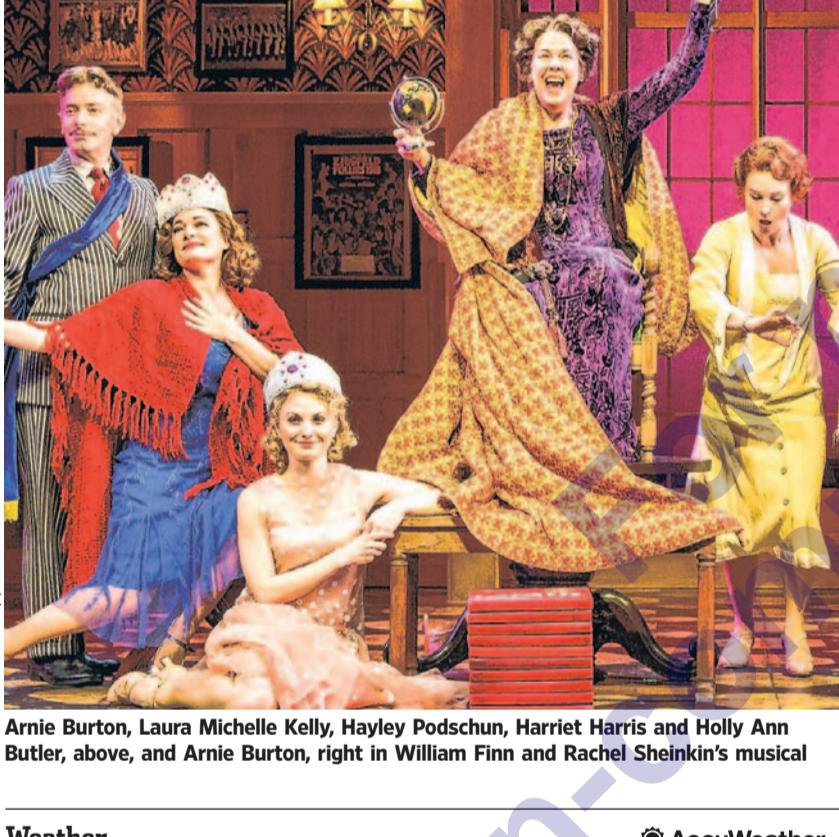
Man in an Orange Shirt

Sunday, 9 p.m., PBS



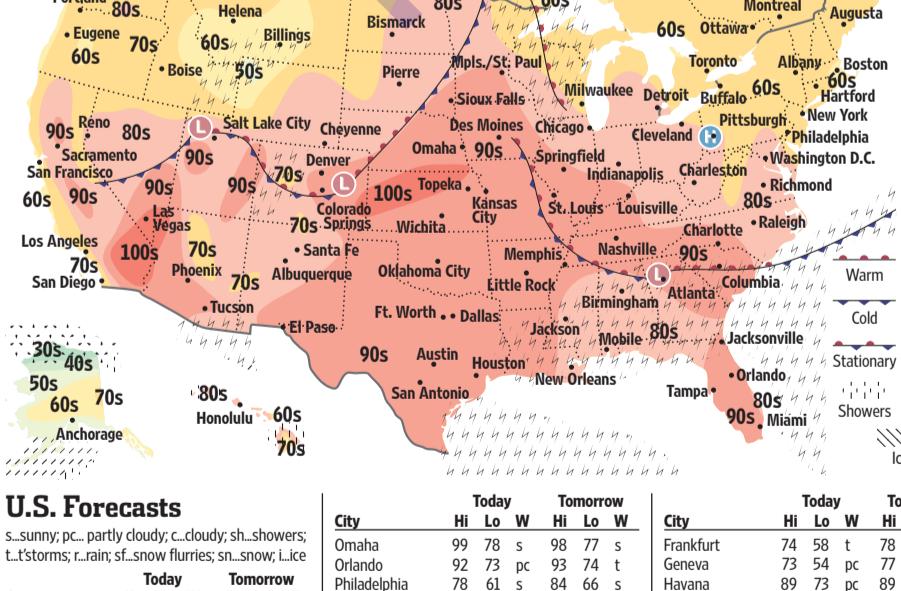
James McArdle as Thomas March, Joanna Vanderham as Flora Talbot and Oliver Jackson-Cohen as Michael Berryman in 'Man in an Orange Shirt'

BBC/MASTERPIECE



Arnie Burton, Laura Michelle Kelly, Hayley Podschun, Harriet Harris and Holly Ann Butler, above, and Arnie Burton, right in William Finn and Rachel Sheinkin's musical

Weather



U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	59	49	r	63	52	c
Atlanta	90	73	t	90	73	pc
Austin	95	73	pc	96	72	pc
Baltimore	80	57	s	84	65	s
Boise	77	54	pc	77	55	pc
Boston	66	60	c	83	65	pc
Burlington	76	57	pc	84	60	pc
Charlotte	90	71	pc	91	71	pc
Chicago	88	75	pc	93	77	pc
Cleveland	81	64	pc	86	73	pc
Dallas	96	77	s	95	76	w
Denver	92	61	pc	85	59	pc
Detroit	83	67	pc	86	74	pc
Honolulu	87	74	pc	87	74	pc
Houston	93	75	t	91	74	t
Indianapolis	89	69	pc	91	71	pc
Kansas City	94	75	s	93	76	s
Las Vegas	102	78	pc	95	73	pc
Little Rock	94	73	s	92	74	pc
Los Angeles	77	61	pc	71	59	t
Miami	90	76	t	89	77	t
Milwaukee	76	70	pc	91	74	pc
Minneapolis	91	73	t	89	72	s
Nashville	94	71	pc	86	73	s
New Orleans	89	74	t	88	76	t
New York City	76	62	s	83	69	s
Oklahoma City	93	72	s	91	72	s

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	71	55	pc	66	56	pc
Athens	84	70	s	80	67	t
Baghdad	105	81	s	104	81	s
Bangkok	92	81	t	91	79	t
Beijing	91	67	pc	87	69	pc
Berlin	71	56	pc	78	61	pc
Brussels	52	53	pc	69	52	pc
Buenos Aires	73	33	s	54	38	s
Dubai	104	89	s	103	87	s
Dublin	61	49	pc	63	49	t
Zurich	58	47	c	58	47	r

A Show With All the Makings of a Hit

Continued from page A10

suit, and his score, in which Great American Songbook-style pastiche is freshened with his own spiky harmonic language, is somewhat uneven in quality. As a result, the middle of the first act, which contains the least musically memorable songs, sags noticeably. Fortunately, all of the pivotal production numbers, especially Tony's "Too Much Drama in My Life" and "If You Marry an Actress," a second-act comic waltz for the five leading men, are show-stoppingly effective.

As for the cast, Ms. Harris is a deservedly well-known quantity on Broadway and was born to play Fanny, but her lesser-known colleagues, in particular Ms. Podschun and Mr. Shively, are no less delightful, while Mr. Swenson, who has the daunting task of playing a character based on John Barrymore in his pre-alcoholic matinée-idol days, struts, frets and swashbuckles with irresistible glee.

"The Royal Family of Broadway" reunites John Rando and Joshua Bergasse, the director and choreographer of "On the Town," "Guys and Dolls"

and "Pirates," who work their now-familiar miracles of wit and flair. They're an ideal musical-comedy leadership team, the very best we have. Alexander Dodge, the set designer, has packed a staggering amount of scenery onto the smallish stage of the company's 520-seat mainstage theater, all of it deployed with awesome confidence. (I'd love to take a backstage tour!)

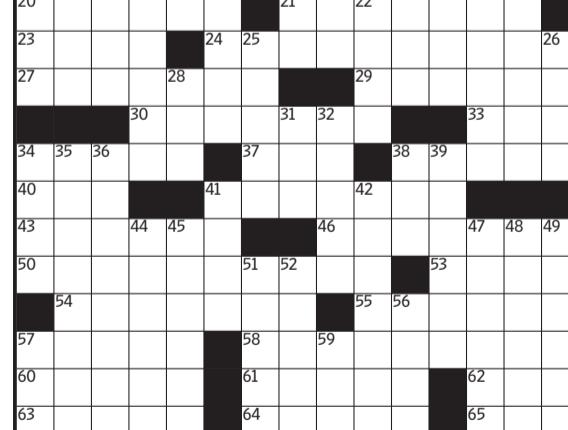
The opening-night performance had some choppy spots—the unusually complicated production was put together in less than a month—and a musical like this cries out for a full-sized orchestra instead of the existing eight-piece pit band, whose playing of Bruce Coughlin's unstylish orchestrations is cloudy and flat-footed. Still, I have no doubt that everything else about "The Royal Family of Broadway" will sharpen up in short order, and you'd have to be blind and deaf not to know that it already has the right stuff in abundance. See it now and spread the word: This show is going far.

The Royal Family of Broadway

Barrington Stage Company, Boyd-Quinson Mainstage, 30 Union St., Pittsfield, Mass. (\$15-\$75), 413-236-8888, closes July 7

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

The WSJ Daily Crossword | Edited by Mike Shenk



GO-BETWEENS | By Patrick Berry

The answer to this week's contest crossword is a go-between of sorts.

Across

- 1 Four-term Japanese prime minister
- 4 In search of Bakery emanation
- 14 Shifted ground
- 15 Boorish
- 16 Sides in a classic battle
- 17 "It slices! It dices!" product
- 19 Go beyond the pail?
- 20 Where a shoe is laced
- 21 Opening shots
- 23 Cover completely
- 24 How some saw the "Thrilla in Manila"
- 27 Gets out
- 29 Parade ground command
- 30 Hung up on what could have been
- 33 Salient point
- 34 Wet impact sound
- 37 Pass on passing
- 38 Imitates Daffy
- 40 Heady stuff

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, June 17. A solver selected at random will win a WSJ mug. Last week's winner: Alan Wachtel, Palo Alto, CA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

Puzzle Contest

- 32 Take a page from, perhaps?
- 34 Steadily weakens
- 35 Logical flaw in a story
- 36 Oscar nominee for "Enemies, A Love Story"
- 38 Pie-eyed
- 39 Ailing
- 41 Quonset hut furniture
- 42 Like the responses in Twenty Questions
- 44 He loved Roxane
- 45 2017 Tony winner "Dear Evan ____"
- 47 Departs from the text
- 48 Indian Ocean arm
- 49 Lincoln portrayer in a 1940 film
- 51 Drum kit component
- 52 In the cooler
- 56 Suns and moons
- 57 Fancy Feast fancier
- 59 Team size in men's lacrosse

Previous Puzzle's Solution

SWAB	TOE	BIGCAT
IOWA	HAY	ENLACE
GRANDUKE	STAPLE	
HERALDS	SIERRAN	
ENVY	BADREAMS	
EDNA	STAHLER	
DEEP	YETI	OMEGA
DESIGNATED	DRIVER	
AT SEA	BENT	NOME
SLANTS	ILLSA	
HARDROUNS	SPINATAS	
OOLONG	COLD DRINK	
DREDGE	ASK TONI	
SAY YES	WES SNAP	

SPORTS



SOCCER

The World Cup Adopts Replay

On further review, a system meant to settle disputes could inspire newer ones

Referee Deniz Aytekin consults the VAR system during an international friendly match at Wembley Stadium.

BY ANDREW BEATON

Moscow

IT ISN'T DIFFICULT to imagine a goal during this World Cup that could alter the sport's history. The scorer will engage in a ludicrous celebration. Some fans will erupt in euphoria. Others will bury their faces in their palms and begin to weep.

Now picture this scene followed by an awkward silence. And after an uncomfortable wait, the goal has been taken away. The weepers are now celebrating. The euphoria has morphed into outrage. Or, in some cases, the fans at the match have zero clue what's unfolding.

Welcome to the VAR World Cup.

V, A and R have become the three most controversial letters in soccer. It stands for

Video Assistant Referee. Americans who aren't familiar with it surely know its counterpart in MLB, the NBA and NFL: It's replay review. And anybody who has followed any of those sports knows that replay reviews have been as controversial as they have been confounding to fans.

There are soccer fans around who have exhaled now that FIFA has finally implemented this after famous gaffes from Maradona's "Hand of God" to Thierry Henry's handball.

The basics on what can be reviewed at the World Cup: Goals and potential penalties leading up to goals; penalty decisions and the proceeding moments; red card incidents; instances of mistaken identity.

The VARs don't actually make any decisions themselves. Working from a hub in Moscow, they will communicate with the

referee on the pitch, and the referee has full decision-making power.

You will also see some funny signs. The referee will point to his ear to delay a restart so the VAR can check a play, though this doesn't launch a full-scale review. And when the referee makes a pointing gesture with his two index fingers in a rectangular motion, that indicates play has been stopped to review the play.

This type of element is new to soccer—this will be the first World Cup with VAR—but it's not wholly unprecedented. Italy's Serie A and Germany's Bundesliga have introduced it. Major League Soccer has been on the vanguard, too.

But its implementation has been about as smooth as bringing up the 2014 World Cup semifinal to a Brazilian.

In some instances, fans and players have

been galled at how long the reviews have taken. There have been communication breakdowns with the VAR. Sometimes, when replays have not been shown on stadium scoreboards, fans have been befuddled as to what's unfolding in front of them. (Fans at the stadiums will be shown the plays, but not until after the restart.)

More concerningly, the innovation meant to settle disputes has inspired newer and more contentious ones.

Replay has stoked an endless debate in the NFL about what it means to catch a football, based on a series of episodes in which a player seemed to meet most definitions of catching a ball—but not the NFL's definition. This offseason, the league changed its rule because it had become so contentious among fans and players.

But where soccer purists see the most trouble is that the sport, unlike these others, has little interruption. There are constant stoppages in baseball, basketball and football. They are choppy by nature. With few breaks in soccer, critics argue that replay can ruin the aspect that makes the game so aesthetically pleasing.

A poll by the German magazine Kicker found that 47% of Bundesliga players want VAR abolished. And nobody screams at referees to get calls right more than players.

Howard Webb, who refereed the 2010 World Cup final and is now general manager of the Professional Referees Organization, said the implementation of VAR in soccer has aimed to keep interruptions to a minimum at all costs. Referees make hundreds of decisions per game, and they accept that many of those will be controversial or wrong. But the only calls they want to look at are those that have "maximum impact," he said.

"The game would be stopped far too often," Webb says. "That way we can keep the game flowing."

MLS has been fairly successful in this regard. There are seven checks per game but only a full-scale review about once every three games, according to the league.

This will inevitably fix some crucial mistakes on the sport's biggest stage.

It will also inevitably drive some people absolutely loony. Perhaps soccer will be granted its own confounding what-is-a-catch question: What is a goal? What is a red card? What is a handball?

Trophy for the second time. Maradona, hailed as a hero for overcoming the hated English, struggled to cope with his fame and descended into a spiral of alcohol abuse, drugs and gambling.

What would have happened: The handball is spotted on replay, the opening goal is disallowed and Maradona is yellow carded for his sins. Without the so-called "hand of God," regulation finishes 1-1 and England, led by tournament top scorer Gary Lineker, grabs the extra-time winner. Lifted by that performance, it goes on to hoist the trophy for the second time, after 1966. Maradona, meanwhile, lambasted as a failure for losing to the hated English, struggles to cope with his infamy and descends into a spiral of alcohol abuse, drugs and gambling.

—Jonathan Clegg, Joshua Robinson

The 'Hand of God' Delusion

It took almost 100 years, dozens of blown calls, and one infamous handball, but instant replay is finally coming to the World Cup.

The 2018 World Cup in Russia marks the first time the world's foremost soccer tournament will use the "video-assistant referee" system, or VAR, to complement the officiating in matches. A three-man team of replay assistants in a dark room in Moscow will review decisions related to goals, penalties, direct red cards and cases of mistaken identity.

The introduction of VAR is long overdue but has come too late for the millions of tormented fans whose hopes of World Cup glory were cruelly extinguished by a missed call.

What we ponder here is: what if it hadn't?

To highlight the magnitude of the sport's belated embrace of video replay, the Journal has reviewed crucial refereeing errors that violently altered the course of previous tournaments and imagined how World Cup history might look like if VAR had been around. (Read more scenarios at WSJ.com/WorldCup.)

1986 World Cup Quarterfinals

What actually happened: In a bitter grudge match played against the backdrop of the Falklands War four years earlier, England and Argentina squared off in Mexico. The game swung on a 51st-minute incident involving Argentina superstar Diego Maradona, who used an outstretched hand to punch the ball over England



goalkeeper Peter Shilton and into the net for the opening goal. The outrageous infraction eluded the Tunisian referee Ali Bennaceur, Argentina advanced 2-1 and went on to lift the

SOCCER | By Jason Gay

HERE COMES AMERICA'S WORLD CUP



The 2018 World Cup is underway in Russia—congrats to the host team on its narrow 5-0 victory over Saudi Arabia—but that's not what I'm fired up about right now.

Nope. My mind is fixed in the future, and some local news. The U.S. men may not have made it to Russia 2018, so let's hear it for: WORLD CUP 2026 NORTH AMERICA WOOOOOOOOOO!

Yep: after making everyone nervous about its decision, FIFA surrendered to the Americans. After the quadrennial event stops in Qatar in 2022, the United States will get the World Cup as part of a three-country continental bid with Canada and Mexico. MetLife Stadium in the Jersey Meadowlands has been proposed to host the 2026 final—if you leave now, you should be able to get through the Lincoln Tunnel and make it there in time.

Pew. American soccer nuts were freaked. FIFA was about to give the tournament to Morocco, which was its only competition. Who knows what kind of nonsense we had to promise FIFA to lock this down? I worry we may have to give Connecticut to FIFA.

Sorry, Connecticut. Sometimes you have to make a deal. Pack your Tumi.

What will 2026 be like? Who am I, Wolf Blitzer? I have no idea. It's hard to say what life will look like in eight years. We may have a robot president. The sky should be filled with flying cars. The Washington Capitals may finally be done celebrating their first Stanley Cup.

I'm sure the Journal will have replaced me with a robot by 2026 (Our new editor in chief is actually aiming to do it by August 2018), but the good news is my children will practically be teenagers. I'll be so excited to take them in the flying car to the World Cup and...oh, who can get teenagers to do anything? I guess I'll go by myself. Get stuck in traffic car Lincoln Tunnel traffic all alone.

The other big news for 2026 is that they're bumping up the number of teams from 32 to 48. This should allow the tournament to invite the three North American countries, plus a whole bunch of others. Italy will probably make it this time. The Netherlands, too. We'll probably see some newcomers. The Denver Broncos. The University of Maryland-Baltimore County. The Wall Street Journal company softball team.

Of course, this is not the first World Cup to land in the United States. This country played



U.S. players celebrate during a game against Switzerland in the 1994 World Cup.

host in 1994, 24 years ago. That was a momentous event, almost as momentous as those hideous denim-print jerseys the U.S. men wore in that tournament, which looked stolen out of the back of Andre Agassi's Miata.

FIFA still has warm, moneyed memories of U.S. '94—it remains the most-attended World Cup ever. And I don't have to tell you that soccer has grown more here since then. It's one of the most popular participation sports in the U.S., behind basketball and screaming at each other on the internet. That homegrown soccer popularity may not have resulted in a World Cup final for the U.S. men—but that's just the men. The U.S. women's team is a victory machine, winners of three World Cups.

At the same time, technology has allowed American fans to become more fluent in the global game than ever before. You can see it with this current World Cup, where the absence of a national rooting interest has failed to diminish a lot of people's enthusiasm. You could tell on Thursday: The World Cup is the rare sporting event that can truly stop the global clock.

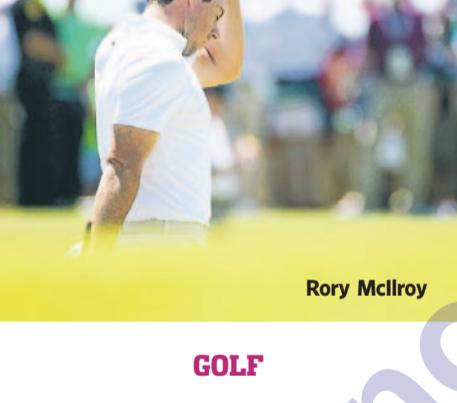
We get why this is a big deal. The President tweeted it was a big deal! We don't have as many of the 'Who Cares About Soccer?' cranky pants complaints as we used to. Sure, there are a few of you asking WHY ISN'T THIS A U.S. OPEN GOLF COLUMN?

CAN'T I JUST READ ABOUT SOME GOLF? CAN THE ROBOT START THIS WEEK? But a soccer fan in the U.S. doesn't have to explain the passion anymore.

I like a few other things about this bid. It feels like common sense prevailed. This has been the era of Global Sporting Events That Make People Feel Terrible, because of all the wasteful spending on stadia and infrastructure. It makes much more sense to regionalize event to places with existing facilities. MetLife Stadium has other purposes, of course—they have concerts there, and monster truck rallies, and it's where out-of-town football fans go to laugh at the Giants and Jets.

What other American cities will get games? You have to figure Los Angeles, Atlanta, probably Miami. San Francisco. Texas, somewhere—you think Jerry Jones doesn't want The JerryCup? Boston could be in the mix, though don't tell Bostonians—they'll have a panic attack about the traffic and hand the World Cup back to FIFA.

It's a long time from now, and it isn't. Eight years can fly by, especially in sports. (Just ask LeBron James—it was just eight years ago that James donned a gingham shirt and told everyone he was off to South Florida.) There's a lot to prepare and polish, and there will be pressure on the trip of host teams to deliver. Get busy, fellow Americans. I've already ordered my flying car.



GOLF

IT'S A ROUGH DAY AT THE U.S. OPEN

BY BRIAN COSTA

SOUTHAMPTON, N.Y.—Up to his knees in fescue grass, Rory McIlroy was finally ready to hit his second shot on the 14th hole on Thursday. He had searched for his ball, found it, waited for his turn to swing, assessed the wind and picked a club. Nearly 200 yards from the hole, he took a big hack. The ball moved 9 feet.

It's been said that while the U.S. Open cannot be won on a Thursday, it can certainly be lost. During the first round at Shinnecock Hills Golf Club, some of the biggest names in golf became living proof.

McIlroy was the worst among them, carding a 10-over-par 80 that tied his highest single-round score in a major. His detour into the rough at the 14th hole was just one of many stops on his comprehensive tour of the Shinnecock fescue. But his playing partners weren't much better.

Jordan Spieth finished 8 over par and Phil Mickelson, in his latest quest to complete the career grand slam, came in at 7 over. That's a combined 25 over par for a three-some with 12 major titles between them.

Throw in former world No. 1 Jason Day, who shot a 9-over-par 79, and there was more star power toward the bottom of the leaderboard than there was near the top.

It was partly a reflection of how tough the course was playing, as strong winds and dry conditions kept most players from breaking par. The average score as of mid-afternoon Thursday was more than 6 over par, just the way the USGA likes it.

Scott Gregory of England shot a 92, becoming the first player in 16 years to fail to break 90 at the U.S. Open.

T-8: DAVID KLEIN/REUTERS; BONGARTS/GETTY IMAGES

LENNOX MCLENDON/ASSOCIATED PRESS

OPINION

Insubordination and Bias at FBI



POTOMAC WATCH
By Kimberley A. Strassel

Justice Department Inspector General Michael Horowitz's 500-page report covers plenty, but it can be distilled to two words he uses to describe

the Federal Bureau of Investigation during the 2016 election: insubordination and bias. Two terms that are chilling in connection with such a powerful agency.

That won't be the message from Democrats and most of the press, who will focus on a few episodes they will claim cost Hillary Clinton an election. Watch for them to blame

The inspector general report is careful in its conclusions, but damning on the facts.

former FBI Director James Comey, whom the report faults for "a serious error of judgment," for having "concealed information" from superiors, and for "violation of or disregard for" departmental and bureau policies.

True, the report is damning about the man who lectures Americans on "higher loyalty." It describes how an "insubordinate" Mr. Comey was, as early as April 2016, considering how to cut his Justice Department bosses from a public statement exonerating Hillary Clinton. He hid this scheme for fear "they would instruct him not to do it"—and therefore was able to "avoid supervision." He then

There's Loretta Lynch, who felt it perfectly fine to have a long catch-up with her friend Bill Clinton on a Phoenix tarmac and whom the inspector general slams for an "error in judgment." Mr. Comey's entire staff was complicit in concealing the contents of the July press conference from Justice officials. We discover that significant FBI "resources" were dedicated in October to spinning FBI "talking points" about the Clinton investigation—rather than actually investigating the new Anthony Weiner laptop emails the bureau discovered in September. We even find that Mr. Comey used personal email and laptops to conduct government work.

There's former Assistant Attorney General Peter Kadzik, who was tipping off the Clinton campaign even as he took part in the investigation, and who "failed to strictly adhere to [his] recusal" when he finally stepped away. Former FBI Deputy Director Andrew McCabe also did not "fully

"violated long-standing Department practice and protocol" by using his July 5 press conference for "criticizing Clinton's uncharged conduct." In October, he made public that the FBI had reopened the investigation, even though the Justice Department recommended he not do so. Mr. Comey went rogue, and President Trump had plenty of justification in firing him in May 2017.

Yet it is the report's findings on the wider culture of the FBI and Justice Department that are most alarming. The report depicts agencies that operate outside the rules to which they hold everybody else, and that showed extraordinary bias while investigating two presidential candidates.

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Former Director James Comey.

comply with his recusal," and he'd already been found to have lied to the bureau about a leak to the media. Speaking of leaks, Mr. Horowitz needed full attachments and charts to list the entire "volume of communication" between FBI employees and the press. Not only did these folks have "no official reason to be in contact with the media," but they also "improperly received benefits from reporters, including tickets to sporting events, golfing outings, drinks and meals, and admittance to nonpublic social events."

Be ready to hear the report absolves the FBI and DOJ of "bias." Not true. It very carefully states that "our review did not find documentary or testimonial evidence directly connecting the political views these employees expressed in their text messages and instant messages to the specific investigative decisions we reviewed." Put another way, he never caught anyone writing down: *Let's start this Trump investigation so we can help Hillary win.*

But the bias is everywhere. It's in the texts between Peter Strzok and Lisa Page, and

Write to kim@wsj.com.

Faith and Family Among the Amish

HOUSES OF WORSHIP
By Kim Woodard Osterholzer

around Lancaster, Pa. Amish mothers give birth only at home, and I was excited to be among them while learning the art of midwifery. My expectations of the Plain People couldn't have been any further from reality.

Where I had expected the prim, pristine settings from Amish film and fiction, I found barely functional homes filled with a bustling, Spartan folk wearing patched and sweat-stained clothes. I was taken aback by the rough hands, the weather-battered faces, the round and weary shoulders, the bare and blackened feet, the swollen ankles, and the legs strangled with bulging veins.

I blanched when I saw how many young families lived in barns, sheds and the basements of partly constructed homes. I reeled at the harsh realities of houses warmed by wood stoves, lit by lanterns, and serviced by pumps at kitchen sinks. I saw windmills that failed to draw water on still days and tiny propane-fueled refrigerators. Washboards were used among yards and yards of clotheslines. I was taken aback by chamber

pots stashed in wooden boxes, and by dark, drafty, stinking outhouses.

I learned to regard with nonchalance the rolls of fly-paper that dangled from the ceilings. After a while, I hardly noticed the mice scampering under doors and along the edges of baseboards or the stoves trimmed with perfect circles of damp socks or beef jerky. There were other aspects of the simpler life: chicken feet stretched between outbuildings, carcasses of unrecognizable animals littered about yards, orphaned lambs or boxes of chirping chicks in living rooms. Once I arrived to a home to discover a giant draft horse tied to a basement support pole. He needed to warm up after crashing through a frozen pond.

I learned to appear unfazed by the severity of their religion, which promises no guarantees in return for the strictest adherence to the sternest rules. Although the Amish are Christians, with roots in the Anabaptist movement, I found them governed as much by the *Ordnung* as by the Bible. German for "order," the *Ordnung* is the unwritten set of regulations that make the Amish, well, Amish. All the images everyone associates with them—plain clothing, mustacheless beards, uncut hair, horses and buggies—are part

of the way of life prescribed by the "order."

Their local church, also called the district, is led by a bishop and two ministers, who are selected by lottery and serve for life while keeping their day jobs. Each district is determined by address and kept to around 100 to 200 members, who meet every other week in one another's homes. Each

These God-fearing people follow the *Ordnung*, the 'order,' as much as the Bible.

bishop serves as the primary translator of the *Ordnung* for his district, thereby determining all manner of minutiae in the lives of his parishioners—from whether it's permissible to ride bicycles to whether women may wear smock-style aprons over their dresses.

Some rules are the same in every district. Women are never allowed to preach. Men and women sit separately at church. They don't work on Sunday. Every night and day is opened with a reading from the Bible and a silent prayer.

Every meal begins and ends with silent prayer. Only adults are permitted to join the Amish Church, and aspiring

members participate in several months of special classes after regular church services. They're taught what they'll be committing to and what will be expected of them. Once they complete the classes, they're publicly baptized.

The Amish are a God-fearing, family-centered people. They work hard, but they also relax and play. Their lives are so untarnished by the broader culture that to be with them is refreshing. I would leave my phone in my car, be overfed, asked questions, told stories, teased, and cherished mightily.

The fruit of the Amish way of life is that it keeps its people better focused on what truly matters—faith and family. They intimately understand the resilience and fragility of life and the certainty of death. It keeps them close to the earth, in sync with its rhythms. Whenever I departed from a visit, I would ask myself: Do we really need the fear of hell driving us before we can make time to be with one another and enjoy the magnificent world God created for us?

Ms. Woodard Osterholzer is a home-birth midwife in Colorado Springs, Colo. This article is adapted from "A Midwife in Amish Country: Celebrating God's Gift of Life" (Salem Books, 2018).

being too ordinary, he would let loose with a piercing, front-tooth gap whistle that startled the air. Sometimes he'd just yodel. How could such remarkable sounds come from this workaday man?

My dad, a carpenter, gave me the tools to measure myself.

I left St. Paul, Minn., for Los Angeles at 21 and quickly dropped my Midwestern accent, along with what I judged as my unworldly, artless past.

Thirty years later, dad was dealt an ischemic stroke, wiping out nearly two-thirds of his brain's left hemisphere. He was 91. "Hemisphere"—that word, when the doctor first said it, made me think of whole worlds destroyed.

Dad gave me his level a few decades back, and I carry it in my pocket. Halfway

through my eulogy for him, I placed the gauge at the head of his oak casket, wood on wood. I stooped down and examined the yellow air, sliding,

deciding. There—for the first time in his life, I told my father's six brothers and their sons, and the sons of their sons—there it is, equilibrium. Death, I suppose, supplies that: the ultimate leveling, a reckoning and summation of a life.

My father's simple existence has been like a horizontal plumb line for me, one to gauge myself against. Here is a summation of the primary lesson he gave me:

Carry a small level in your pocket at all times. Take it out once in a while. Place it on a mantel, a counter, a cabinet—your life. Observe the equilibrium. Check to see if there is balance. If needed, make minor adjustments.

If that doesn't work, you're going to have to examine the whole foundation.

Mr. Foster is a writer in Los Angeles.

BOOKSHELF | By Christopher Carroll

Tuning The Soul

The Devil's Music

By Randall J. Stephens
(Harvard, 337 pages, \$29.95)

The Godmother of Rock 'n' Roll was born in Cotton Plant, Ark., in 1915 and brought up in the charismatic Church of God in Christ. Sister Rosetta Tharpe was a phenomenally skilled singer and electric guitarist. She traveled to New York when she was 19 and played with Benny Goodman and Cab Calloway, as well as in John Hammond's famous "From Spirituals to Swing" concerts at Carnegie Hall. Her music didn't just blur the lines between pop and gospel but fused them—her first recording, "Rock Me" (1938), was in essence the spiritual "Hide Me in Thy Bosom" with a secular title, and she performed it in theaters and churches, changing the lyrics to suit the venue. This fusion was a practice derived from the Pentecostal church of her childhood, which, unencumbered by tradition, drew on secular and sacred songs alike, often playing them with unorthodox instrumentation—jazz trumpeters, jug bands, washboard players, flatpicking guitarists. Tharpe had a pronounced influence on waves of major rock musicians: Elvis, Jerry Lee Lewis, Johnny Cash and Chuck Berry in the 1950s and, later, after she toured the U.K. with Muddy Waters in the 1960s, on guitar players like Keith Richards and Eric Clapton.

Her story shows how American Christianity—and Pentecostalism in particular—was one of the constituents that helped create rock and is a small part of Randall J.

Stephens's excellent "The Devil's Music: How Christians Inspired, Condemned, and Embraced Rock 'n' Roll." His book

mainly covers the period between the 1950s and the new millennium, when segments of American Christians went from burning rock LPs to reluctantly accepting the music in the late 1960s—then, briefly, back to burning in the late 1970s and early 1980s—and finally to an acceptance so complete that by 2001 Christian rock outsold jazz and classical combined, grossing \$1 billion.

The reason for Christianity's embrace of the sound of sin, Mr. Stephens writes, can be seen clearly in the story of the founder of the Salvation Army, William Booth. "The music of the Army is not, as a rule, original," Booth said. "We seize upon the strains that have already caught the ear of masses, we load them with our one great theme—salvation—and so we make the very enemy help us fill the air with our Saviour's fame."

In a similar way, Mr. Stephens argues, even as Christians in the 1950s first reacted to rock with scorn and alarm—variously fueled by racism and fears of sacrilege—they felt, as the '60s wore on, that they faced an unprecedented disconnect with the younger generation, one exacerbated by what they saw as creeping secularism and communism and an increasingly repellent pop culture. Mr. Stephens writes that "such persistent and powerful fears of moral decline, ironically, inspired a new willingness to blend popular music, and even rock, with an evangelical message."

The irony of the scorn is that, though rock drew on rhythm and blues, honky-tonk, swing and country, the music had undeniable roots in the music of the Pentecostal church. Pentecostalism had been a fringe denomination since its beginnings in interracial revival meetings at the turn of the 20th century, like the Azusa Street Revival in Los Angeles, in which "men and women, touched by the spirit, claimed to be

How certain American Christians went from condemning rock records in the 1950s to embracing the music by the turn of the century.

able to take up and play instruments that they had no familiarity with." Though the church's integration had largely disappeared by the 1920s and 1930s, the ecstatic services and music remained, captured by James Baldwin in "Go Tell It on the Mountain" (1953), when the protagonist John describes the way in which congregants "sing with all the strength that was in them, and clapped their hands for joy.... While John watched, the Power struck someone, a man or woman; they cried out, a long, wordless crying, and arms outstretched like wings, they began the shout."

Many members of rock's first wave grew up in the Pentecostal church. Elvis, when asked in a 1957 interview why he gyrated the way he did on stage, said as much: "I just sing like they do back home." Not long after, musicians like Ray Charles and Aretha Franklin were bitterly criticized for pilfering from sacred music (compare, for instance, Charles's famous "I've Got a Woman" with "It Must Be Jesus" by the Southern Tones). In the 1960s, one critic complained that Ms. Franklin, who "once said Jesus, . . . now cries baby. She hums and moans with the transfixated ecstasy of a church sister who's experiencing the Holy Ghost."

By the end of the Beatles era, some religious communities had begun to come around to the idea of adopting the sinful sound for a higher purpose. Mr. Stephens writes that just as "the Jesus people movement that first emerged out of non-denominational churches in California, Georgia, New Jersey, and across the country inspired young believers with a countercultural-style faith," so too did a new Jesus rock, one that Mr. Stephens suggests arrived on the scene with the 1972 Christian rockfest Godstock. Song subjects included spiritual gifts, prophecy, Israel's place in history, the end of the world and the literal creation of the earth in six days.

From the 1980s on, Christian rock was, for better or for worse, firmly established. More than just a commercial force, however, the music by the turn of the millennium had become intertwined with Christian worship itself. In many denominations, guitars, drums and keyboards have now largely displaced pianos and organs. Though occasional attempts to explicitly tie the book to current events fall flat—an assertion, for instance, that "much of what animates evangelical churches in the twenty-first century comes directly from the unlikely fusion of pentecostal religion, conservative politics, and rock and pop music," is made but never clearly proved—Mr. Stephens's book is nevertheless valuable, clearly written and meticulously researched.

Mr. Carroll is a senior editor at Harper's magazine.

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OPINION

REVIEW & OUTLOOK

The Disgrace of Comey's FBI

The long-awaited Inspector General's report on the FBI's handling of the Hillary Clinton investigation makes for depressing reading for anyone who cares about American democracy. Self-government depends on public trust in its institutions, especially law enforcement. The IG's 568-page report makes clear that the FBI under former director James Comey betrayed that public trust in a way not seen since J. Edgar Hoover.

We use the Hoover analogy advisedly, realizing that the problem in this case was not rampant illegal spying. Though IG Michael Horowitz's conclusions are measured, his facts are damning. They show that Mr. Comey abused his authority, broke with long-established Justice Department norms, and deceived his superiors and the public.

While the IG says Mr. Comey's decisions were not the result of "political bias," he presided over an investigating team that included agents who clearly were biased against Donald Trump. The damage to the bureau's reputation—and to thousands of honest agents—will take years to repair.

The issue of political bias is almost beside the point. The IG scores Mr. Comey for "ad hoc decisionmaking based on his personal views." Like Hoover, Mr. Comey believed that he alone could protect the public trust. And like Hoover, this hubris led him to make egregious mistakes of judgment that the IG says "negatively impacted the perception of the FBI and the department as fair administrators of justice."

* * *

The report scores Mr. Comey in particular for his "conscious decision not to tell [Justice] Department leadership about his plans to independently announce" an end to the investigation at his July 5 press conference in which he exonerated but criticized Mrs. Clinton. And the IG also scores his action 11 days before the 2016 presidential election, on October 28, to send a letter to Congress saying the investigation had been reopened.

The decision to prosecute belongs to the Attorney General and Justice, not the FBI. And the FBI does not release derogatory information on someone against whom it is not bringing charges. Regarding the October letter informing Congress that the FBI was renewing the investigation, FBI policy is not to announce investigations. "We found unpersuasive Comey's explanation," deadpans the IG.

"We found that it was extraordinary and insubordinate for Comey to conceal his intentions from his superiors, the Attorney General and Deputy Attorney General, for the admitted purpose of preventing them from telling him not to make the statement, and to instruct his subordinates in the FBI to do the same," says the report.

Comey waited until the morning of his press conference to inform [Attorney General Loretta] Lynch and [Deputy Attorney General Sally] Yates of his plans to hold one without them, and did so only after first notifying the press. As a result, Lynch's office learned about Comey's plans via press inquiries rather than from Comey. Moreover, when Comey spoke with Lynch he did not tell her what he intended to say in his statement."

All of this underscores the case that Deputy Attorney General Rod Rosenstein made when he advised President Trump in May 2017 that he should fire Mr. Comey. The President's mistake was not firing Mr. Comey immediately

The damning IG report shows the urgent need to restore public trust.

upon taking office on Jan. 20, 2017, as some of us advised at the time.

As for political bias, the IG devotes a chapter to the highly partisan texts exchanged over FBI phones between FBI personnel. The IG says he found no evidence that political bias affected investigative decisions, but the details will be fodder for those who think otherwise.

For one thing, the political opinions ran in only one direction—against Mr. Trump. Then there is the case of FBI agent Peter Strzok and his decision to prioritize the Russian investigation over following up on Mrs. Clinton's emails. The IG concludes that Mr. Strzok's "text messages led us to conclude that we did not have confidence that Strzok's decision was free from bias."

The specific Strzok message the IG cites is one in which he responded to a text from his paramour, Lisa Page, asking for reassurance that Mr. Trump was "not ever going to become president, right?" Mr. Strzok replied, "No. No he won't. We'll stop it."

Senator Ron Johnson's office reports that his committee had received the first part of this exchange—Ms. Page's question—from Justice. But somehow Mr. Strzok's astonishing reply wasn't included. If this was deliberate, the official who ordered this exclusion should be publicly identified and fired.

The report also chronicles a long list of other questionable judgments by the FBI and Justice. These include waiting until late October to announce that the FBI was seeking a search warrant for Anthony Weiner's laptop, though "virtually every fact that was cited" to justify the move had been known a month before.

And the report criticizes the decision to let Mrs. Clinton's attorneys, Cheryl Mills and Heather Samuelson, attend the FBI's interview with Mrs. Clinton when they were potential witnesses to her possible offenses. This was "inconsistent with typical investigative strategy and gave rise to accusations of bias and preferential treatment," the IG says.

* * *

The unavoidable conclusion is that Mr. Comey's FBI became a law unto itself, accountable to no one but the former director's self-righteous conscience. His refusal to follow proper guidelines interfered with a presidential election campaign in a way that has caused millions of Americans in both parties to justifiably cry foul.

This should never happen in a democracy, and steps must be taken so that it never does again. Mr. Horowitz deserves credit for an investigation that was thorough, informative and untagged by leaks. But it is not the final word. Next week he will be testifying before Congress to flesh out and clarify his findings. Congress should also call FBI agents as witnesses.

The larger damage here is to trust in institutions that are vital to self-government. Mr. Trump will use the facts to attack the FBI, but most agents are honest and nonpartisan. Christopher Wray, the new FBI director, promised Thursday to implement the IG's recommendations, but his cleanup task is larger. He can start by ending the FBI's stonewall of Congress on document requests.

Mr. Wray and Attorney General Jeff Sessions have to understand that radical measures are needed to restore public trust in both the FBI and Justice Department. If they won't do it, someone else must.

America's Progressive Slumlord

Affordable housing is a progressive mantra these days, and taxpayers are exhorted to put more money into public housing. But then we learn that America's great progressive political hope, New York Mayor Bill de Blasio, is essentially the nation's pre-eminent slumlord.

That's the sorry truth exposed this week in a scathing civil complaint and consent decree released by U.S. Attorney Geoffrey Berman over the New York City Housing Authority (Nycha). The complaint exposes how the authority neglected basic repairs and upkeep while taking active steps to deceive inspectors and cover up its ineptitude and wrongdoing.

This is no small agency. Nycha runs 176,066 public housing apartments in 2,462 buildings in 326 developments across the city. One of every 14 New Yorkers—400,000 people—calls Nycha home. Nycha is the largest public housing agency in America, larger than the next 11 agencies combined.

The federal complaint reads like something out of Upton Sinclair. On lead paint, for example, it finds that "since at least 2011, Nycha senior managers have known that Nycha was violating [federal Housing and Urban Development] lead paint requirements." Nineteen children have been found to have lead poisoning, and in 2016 alone Nycha logged more than 38,000 complaints related to paint and plaster issues.

Every year, the complaint says, Nycha has falsely certified that it was complying with regulations designed to ensure "decent, safe and sanitary housing," and it has "made these false certifications as part of its applications to obtain billions of dollars in funding from HUD." Its practices include deceiving HUD in-

spectors "by disguising the true condition of its properties"—for example, turning off water to hide leaks or posting danger signs to keep inspectors away from troubled areas.

Peeling lead paint, mold, non-functioning elevators, rats, vermin, broken heating, unfulfilled work orders, electricity outages—you name it, Nycha has failed

to address it.

Rather than take responsibility, Mr. de Blasio has tried to shift the blame to the state and feds and demand more money. But Mr. Berman says Nycha's failures aren't due to lack of federal funding "but because Nycha was a dysfunctional operation, and is fundamentally flawed and engaged in a culture of false statements and concealment."

Alas, no reform is in sight. Under the consent decree, the city will pay \$1 billion over the next four years and \$200 million each year for the following six to help bring the housing up to regulatory standard. But Nycha's own web page estimates its buildings need \$17 billion for major repairs—money the city doesn't have even with the billions it receives from the state and feds.

Mr. de Blasio made public housing a campaign theme when he first ran for mayor in 2013, so he can't claim surprise. He even spent a night in public housing to show his supposed solidarity with residents.

But this is the classic story of modern liberal politics. Demand more money for more transfer payments while letting actual public assets like the subways and housing rot from perverse incentives and lack of attention. Then blame the rich and demand more money. The real problem is the false compassion of progressive government.

New York City's mayor presides over a public housing disaster.

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LETTERS TO THE EDITOR

Not Much Has Changed With Social Security

I say balderdash to Charles Blahous ("The Social Security Trust Fund Goes Bust," op-ed, June 8). There never has been a single penny in the Social Security trust fund, and he knows it. Since its inception in 1935, all funds collected that weren't disbursed to beneficiaries each year were converted into federal IOUs known as special-issue Treasury bonds. By law, the fund could do nothing else. The money itself was spent by our feckless (a popular word just now) politicians.

Until quite recently there was enough coming in to pay expenses but now the chickens are coming home to roost. As expenses exceed revenue, the feds can either expand the money supply to pay the bills, thus debasing our currency, or else

either raise taxes or cut benefits. The latter two options are unpalatable to our craven political elites because they would get voted out of office, if the folks with torches and pitchforks didn't get them first.

Had we taken a page from our neighbors to the north and kept the fund independent and able to invest in real assets rather than government paper, we would not need to have this conversation now. Imagine if, back in the day, the fund could have invested in Google, Microsoft or Amazon.

The funds have always been just an accounting gimmick. The emperor hasn't had any clothes for many a year, and now his subjects are about to see him in all his naked glory.

ROBERT CALDEMAYER
Cincinnati

Jewish Identity Becomes Yet More Polarized

In "The Fracturing of the Jewish People" (Politics & Ideas, June 13), William Galston suggests that American Jews are at odds with Israel. The American Jewish population consists of two very different factions. According to the Pew Research Center (Oct. 1, 2013), 90% of Jews identify as belonging to groups less-religious than Orthodox, and 13% of this group voted for Donald Trump. This number skews the overall view of the voting patterns of Jews in America. Conversely, according to the American Jewish Committee, 54% of more-religious Jews (Orthodox and other) voted for Donald Trump.

This explains the differences in opinion between Israeli and American Jews regarding recognizing Jerusalem as Israel's capital, Donald Trump's policies and other current events. It is often said that nonreligious liberal Jews pray to liberalism, not God. To suggest that these American Jews should have any say over religious structures located in Israel is outrageous.

It is also interesting to note, according to the Forward (June 12), that in the next few generations the Orthodox, with their higher birthrate and higher retention rate, will become the majority of Jews in America. As the Democratic Party moves further to the

left and further away from supporting Israel, expect to see American Jews change from blue to red.

FARLA FRUMKIN
Great Neck, N.Y.

William Galston's notion that "Israeli Jews are a red state while American Jews are a blue state" falls apart when you realize there is no group called "American Jews." Orthodox American Jews differ from the non-Orthodox. The Orthodox are about as red state as the Israelis who also have their own divisions.

It's tragic that Mr. Galston thinks the threat to American Jews comes from white Christians. That threat comes from the left.

American Jews may think they are secure but so did the Jews of England, France, Sweden and most of today's Europe. Those French Jews who can afford it have already bought their condos in Israel.

American Jews are starting to take notice of what is happening on American campuses with intolerant anti-Israel movements, hostility to religion in general and the denial of moral absolutes and universal truths. They may come to revise their secure views.

JORDAN ROSENBERG
San Francisco

The Fed Should Stick to a Goal It Can Meet

Martin Feldstein is correct in expressing concern over the Federal Reserve's ability to effectively achieve full employment under normal conditions, let alone in the event of sweeping technological changes ("The Fed Can't Save Jobs From AI and Robots," op-ed, June 11). In the first instance, a full employment objective may be at odds with a Fed attempt to moderate rising inflation, which would likely require increasing interest rates and tighten money supply.

In the second instance, the Fed doesn't have, nor should it have, the tools and instruments necessary to curb technological changes which might, or might not, have an impact on the workplace and employment but would in all likelihood discourage innovation. In these instances tasking the Federal Reserve with optimizing employment is at best risky, and at worse counterproductive nonsense.

NICHOLAS A. VLISIDES
Northville, Mich.

Mr. Feldstein fails to mention "immigration" in his well-articulated piece about how artificial intelligence and robotics will likely displace a sizeable portion of the workforce. Why immigration? Because we are constantly being told that we need more immigrants to fill the need for future jobs in our growing economy. If Mr. Feldstein's thesis of technology-induced job displacement is correct, job losses and unemployment will displace American workers and thereby reduce the need for immigrant workers. The debate on immigration is complex and nuanced. Nevertheless, it seems clear that increasing immigration in a contracting job market is unfair to both American workers and immigrants.

BOB SPEAR
Coronado, Calif.

Can Citizenship Require Any Kind of Burden at All?

What you describe as "A Victory for Voting Law" (Review & Outlook, June 12) in the Supreme Court's 5-4 ruling to uphold Ohio's policy to ensure accurate voting rolls was described elsewhere in the Journal as a victory for those who want to "disproportionately disenfranchise low-income voters and voters of color" ("Court Backs Purge of Voter Rolls," U.S. News).

Ohio's "purge" of voter rolls involves asking voters who have not cast ballots in the preceding two years to return a prepaid response card that verifies that they have not moved and otherwise remain eligible to vote. Democrats and activists are, in effect, saying that returning a prepaid response card is disproportionately burdensome to those constituents. If that is the case, is Ohio's policy a disgrace, or is it a disgrace that too many people are deemed incapable of returning a card in order not to be disenfranchised?

TOM WALTERS
Fairfax, Va.

Congress and the Judiciary Must Hold Liars Accountable

Regarding Holman Jenkins's "Clapper Disinformation Campaign" (Business World, May 30): It appears James Clapper can lie to Congress with impunity, intelligence agencies can leak classified information with impunity, the FBI can make false statements in search-warrant applications with impunity, the FBI can lie to a suspect during an investigation with impunity and the FBI can lie to and withhold information from Congress with impunity.

Had Hillary Clinton won the 2016 election, Mr. Clapper's abuse of the truth and the FBI's practice of prevarication and disrespect for Congress, the judiciary and rights of citizens of this country would never be known.

The real threat to our republic is the apathy in Congress and the judiciary as they fail to sanction those who mislead, leak classified information and fail to cooperate with oversight investigations.

TIM HEALEY
St. Louis

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Pepper ... And Salt

THE WALL STREET JOURNAL



"It's for you, it's my lawyer."

OPINION

This Is No Time To Go to Pot

By Patrick Kennedy
And Kevin Sabet

Sens. Cory Gardner and Elizabeth Warren have introduced a bill to legalize marijuana at the federal level in the name of "states' rights." In reality, it would give birth to Big Tobacco's successor.

This dangerous proposal would allow the marijuana industry to market high-potency pot candies, gummies and 99% pure extracts (compare that with 5% potent Woodstock weed). With 70% of today's illicit drug users having started with marijuana, not prescription drugs, according to the National Institute on Drug Abuse, this is exactly the wrong time to legalize pot.

Public-health data from states that have legalized strongly indicate that it is a failed experiment, resulting in more fatalities from driving while stoned, more emergency-room visits and poison-control calls, and more worker accidents and absenteeism.

The Gardner-Warren bill would enable the rapid expansion of businesses that grow, market and distribute high-potency pot products in kid-friendly forms, like candies, gummies and sodas. Marijuana is not a

Legalizing marijuana encourages use of harder drugs and sets back the cause of social justice.

harmless drug, nor is the pot industry made up of responsible corporate citizens. Researchers in Colorado called 400 marijuana dispensaries, pretending to be 8 weeks pregnant and experiencing nausea. Seventy percent of the stores recommended THC products, ignoring the risks of marijuana use during pregnancy. States that have legalized, like Colorado, California and Oregon, grow many times the amount of marijuana they can consume. The excess ends up shipped all over the country.

Congress should not reward Big Marijuana for following the playbook of Big Tobacco. Rather, lawmakers should take a closer look at the public-health outcomes, especially the effect on young people. In a survey last year funded by the National Institutes of Health, 15% of 12th-graders said they would try marijuana if it were legal, and 10% said they would use it more often. The prevalence of annual marijuana use among students in the eighth, 10th and 12th grades rose last year to 24%.

There's proof, too, that marijuana legalization is no step forward for social justice. Two years after Colorado legalized, the number of Hispanic and African-American minors arrested for marijuana-related offenses rose 29% and 58%, respectively, according to state data: the figure for whites declined 8%. Bringing in more drugs would only hurt minorities further. Big Marijuana routinely targets vulnerable communities as its profit centers. In Denver, there are more pot shops than McDonald's and Starbucks combined.

At a time when legalizing recreational marijuana remains a contentious issue of debate, federal lawmakers should not be accelerating the proliferation of an industry that routinely targets children and minority communities. We don't need Wall Street-backed marijuana. Especially not now.

Mr. Kennedy, a former U.S. representative from Rhode Island, is a member of the President's Commission on Combating Drug Addiction and the Opioid Crisis and author of "A Common Struggle: A Personal Journey Through the Past and Future of Mental Illness and Addiction."

Mr. Sabet, a former drug-policy adviser to three U.S. presidents, is president of Smart Approaches to Marijuana Action.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch

Executive Chairman, News Corp

Matt Murray

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Social Security Needs Immigrants

By George Melloan

Trustees for the combined Social Security trust funds have just warned Congress that the funds are running out of money faster than expected. Revenues from payroll taxes in 2017 were lower than predicted, and spending on old-age and survivor benefits and Medicare higher.

As former trustee Charles Blahous reported recently in these pages, spending now exceeds revenues and has begun eating into principal, a turning point that as recently as last year wasn't expected until 2022. The Medicare fund is now due to run dry in 2026. The depletion is exacerbated by the lack of actual money in the funds; real money has been exchanged for Treasury IOUs.

Entitlement money is running out, and Trump's policies would keep payrolls from growing.

These dire predictions bear heavily on another issue bedeviling Congress at the moment: immigration reform. Without working-age immigrants steadily expanding the American labor force, the trust funds would be going broke even faster than they are now. Yet Congress, under pressure from President Trump and other nativists in the Republican Party, is focused on curtailing rather than expanding the supply of immigrant labor.

This is totally irrational, and not only because it will hasten the day when Congress will have to take painful measures to keep entitlements flowing. The U.S. has a labor shortage already. The Labor Department reported last week that job openings now exceed the number of people listed as unemployed.

To be sure, the Trump administration's tax and regulatory reforms have led to an expansion of employment, but not by much. Roughly 155,474,000 Americans had jobs in May—an increase of only 1.7% from a year earlier, less

than the rate of economic growth. The rise in employment wasn't enough to satisfy increased demand for labor.

Manufacturers can invest in robots to substitute for some human workers, but the service sector employs far more workers in the U.S., and it isn't easy to invent a robot that can do the job of a doctor or teacher. The American Medical Association has estimated that 27% of doctors practicing in the U.S. are foreign born. More to the point, robots don't pay the payroll taxes that support Social Security and Medicare.

Despite the major economic stimulus provided by last year's tax reform, the American labor force hasn't expanded. According to the Bureau of Labor Statistics, only 62.7% of working-age Americans had jobs in May, unchanged from the previous year. That's almost 5 percentage points below the most recent peak level of participation, 67.3% in 2000.

To be sure, the Trump administration's tax and regulatory reforms have led to an expansion of employment, but not by much. Roughly 155,474,000 Americans had jobs in May—an increase of only 1.7% from a year earlier, less



safety net for the unemployed reduces the incentive for work.

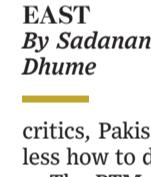
Faced with these disturbing trends, President Trump nonetheless announced last August his support for legislation that would cut legal immigration in half within a decade. This would be done mainly by curtailing the ability of American citizens and legal residents to bring family members into the country. In short, the goal was to reduce the workforce even more than was happening already, for the professed purpose of protecting American jobs.

To the credit of congressional Republicans, this draconian policy remains in limbo. The more active debate in Congress is how to legalize the status of the million or so "Dreamers": grown-ups who were brought to America illegally as children. There is strong public sentiment, on humanitarian grounds, for not shipping them back to countries they have never known, and it seems likely that Congress will work out a path for them to remain in the U.S.

Retaining the Dreamers, however, wouldn't be enough to ensure that the U.S., with its low population growth, has a sufficient workforce to support the economic growth it needs to maintain the welfare state. The situation described by the Social Security trustees isn't going away. To the contrary, addressing it is becoming more urgent, and more rather than less liberal immigration policies are one way to do that.

Mr. Melloan is a former deputy editor of the Journal editorial page and author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America."

Pakistan's Pashtuns Take On the Army—and Terrorists

Pakistan's powerful army would seem to have little to fear from a scrappy group of protesters nobody had heard of until recently. But nearly four months after the Pashtun Tahafuz (protection) Movement emerged as one of the army's fiercest critics, Pakistan's generals are clueless how to deal with it.

The PTM claims to represent the aspirations of Pakistan's 30 million Pashtuns, a tribal population whose traditional homeland spans northwest Pakistan and southern Afghanistan, where another 14 million live.

The group sprang to prominence after police in Karachi abducted and killed Naqeebulah Mehsud, a 27-year-old Pashtun shopkeeper and aspiring model. Though extrajudicial killings are hardly rare in Pakistan, Mehsud's murder struck a chord. He was foppish and had no known ties to terrorism.

Since March, the PTM has organized a series of rallies demanding an end to human-rights abuses against Pashtuns. In Peshawar, 60,000 people swarmed to a public square to listen to the movement's charismatic 26-year-old leader, Manzoor Pashteen. Some 25,000 showed up in conflict-scarred Swat, 10,000 in Karachi and 8,000 in Lahore.

In his speeches, Mr. Pashteen describes extrajudicial killings and the disappearance of thousands of Pashtun men as part of Pakistan's war on the Pashtun-dominated terror group Tehreek-e-Taliban. In the audience, family members hold up photographs of missing loved ones.

PTM rallies stand out for the bluntness of their attacks on the army. One of the movement's most popular slogans, roughly translated from Urdu, goes; "This terrorism that you see, behind it is the uniform (of the army)."

In Pakistan, generals have ruled the country directly for about half of the 71 years since independence and always wield enormous power. Such language is almost never heard in public.

Mohsin Dawar, a prominent PTM leader, says a willingness to speak truth to military power is an essential part of his movement's appeal. "It was that courage that has attracted the people, that forced the people to follow us," he says in a phone interview from Peshawar.

Mr. Dawar depicts a community battered by both a brutal army and Islamist terrorist groups, which the army has long backed in a bid to dominate Afghanistan. The PTM wants Pakistan to establish a truth and reconciliation commission to examine its grievances, including the release of missing persons. It concedes that some of the disappeared may be terrorists, but believes that they too deserve their day in court.

The army has responded with its usual heavy-handedness. It has reportedly used its influence over Pakistan's media to engineer a virtual television blackout of PTM rallies.

In April, army chief Gen. Qamar Bajwa declared that Pakistan would not allow any "antistate agenda in the garb of engineered protests" to succeed. On social media, pro-military accounts routinely smear PTM

leaders as puppets of Afghanistan and India.

PTM leaders, including Messrs. Pashteen and Dawar, face a combination of informal and formal travel restrictions. In the Swat valley, thugs beat up shopkeepers selling the black-and-red Afghan hats Mr. Pashteen has popularized as symbols of Pashtun

The generals often rule and always have influence, but they're flummoxed by a new protest movement.

empowerment. Earlier this month, alleged Taliban militants attacked a PTM rally in South Waziristan, killing four and injuring dozens.

In the past, the army has used a combination of brute force and a well-oiled propaganda machine to quash other minority groups, including Baloch separatists and the Muttahida Qaumi Movement, a Karachi-based party that represents descendants of migrants from India.

This playbook is unlikely to work against the PTM, says Abubakar Siddique, a Prague-based analyst with Radio Free Europe. For one thing, Twitter posts and Facebook live broadcasts have allowed the movement to

circumvent the domestic media.

Demographics also helps. Pashtuns constitute Pakistan's second-largest ethnic group—after the dominant Punjabis—accounting for about 15% of the country's population. This gives them, and by extension the PTM, a heft that others lack.

Unlike Baloch separatists, the PTM has stayed assiduously away from even a hint of secessionism. "We have demanded nothing outside the constitution of Pakistan," says Mr. Dawar. In a land drenched with blood, the PTM evokes Khan Abdul Ghaffar Khan (1890-1988), a Pashtun leader known for espousing nonviolence.

Most important, the PTM's main claims have the advantage of being true. As a raft of Western scholars have documented, the Pakistani army did help create modern Islamist militancy among the Pashtuns. In the 1980s, Pakistan worked with the U.S. and Saudi Arabia to use pashtun militants against the Soviet Union in Afghanistan. Since 9/11 it has used groups like the Taliban and Haqqani network to thwart U.S. attempts to stabilize the country. The Pashtuns have suffered disproportionately from the army's intermittent efforts to rein in some of the extremists it once nurtured.

PTM wants Pakistan's army to stop backing terrorists. In that regard, it shares an interest with the U.S.

China Should Let Liu Xia Go—or Else

By Jared Genser

Nearly a year has passed since the death of Liu Xiaobo, the Chinese dissident who received the Nobel Peace Prize in 2010. Yet his widow, Liu Xia, a poet and artist who was never politically active, is still held under house arrest by a Chinese state determined to suppress Mr. Liu's legacy. In a rare communication with the outside world, Mrs. Liu recently confided to a friend that she has nearly given up hope of being freed: "There is nothing I fear now," she said. "If I can't leave, I'll just die at home. . . . Using death to defy could not be any simpler for me."

Her hopelessness is devastating for me. Mrs. Liu hired me in mid-2010 to be her husband's pro bono lawyer and help get him out of prison. In our last conversation, days before her husband's Nobel was announced, we discussed what might happen to her and whether she should consider leaving the country. "My place is in China with my husband," she said—fully understanding what that might mean for her. Shortly after the Nobel announcement, she was placed under house arrest, where she has remained, held virtually incommunicado, ever since.

A United Nations working group on arbitrary detention found years ago that Mrs. Liu's detention violates international law. She has had a heart attack and reportedly suffers from depression. Unless the international community takes urgent and decisive action, she, like her husband, will soon die in isolation.

Beijing continues to imprison a dissident's apolitical widow.

Since her husband's death, Chinese authorities have muted criticism by telling concerned governments Mrs. Liu would be released soon—after last October's Communist Party Congress, then at the beginning of 2018, after the recent National People's Congress. If the world fails to act in the face of such brazen defiance of all standards of human decency, it gives China a license to act with impunity.

President Trump has repeatedly demonstrated he wants to press China on some of the thorniest challenges in the bilateral relationship, such as applying tariffs on \$50 billion of Chinese imports and restricting Beijing from accessing sensitive U.S. technology. If the U.S.

can take an aggressive stand in defense of its interests, it should be equally willing to act on behalf of its values by demanding freedom for Mrs. Liu.

Toward that end, Mr. Trump should impose sanctions on Chen Wenzing, China's minister of state security, and his bureau heads responsible for imposing this Kafkaesque nightmare on Mrs. Liu. He should privately tell President Xi Jinping that unless Mrs. Liu is freed quickly, he will sign the bill advanced by Sen. Ted Cruz to rename the street in front of the Chinese Embassy in Washington for Liu Xiaobo—a symbolic act that Beijing would experience as a humiliation. Mr. Trump has already declined to follow the disappointing example of President Obama, who threatened to veto the bill. Mr. Trump should join with the leaders of France, Germany and the U.K. to demand—privately, and, if that fails, publicly—that China free Mrs. Liu.

The world's failure to help its most famous political prisoner—an innocent widow who has been relentlessly punished merely for whom she loved and married—is a stain on our conscience.

Mr. Genser, a Washington lawyer, serves as pro bono counsel to Liu Xia.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Comcast, Disney Battles Loom

Antitrust regulators will give close look at sports properties in bids for Fox assets

BY ERICH SCHWARTZEL
AND JOE FLINT

LOS ANGELES—Comcast Corp. and Walt Disney Co. are fighting to win over 21st Century Fox Inc. shareholders and acquire major assets of Rupert Murdoch's media empire. After the boardroom fight comes the next battle: winning over Washington.

Both bids are expected to

get a close look from antitrust regulators at the Justice Department, which earlier this week suffered a bruising loss when a judge approved AT&T Inc.'s acquisition of Time Warner Inc. with no conditions.

The Justice Department's antitrust chief said Wednesday he wouldn't let the outcome deter him from challenging other deals. "I don't think our case or evidence or theories were flawed," Makan Delrahim said, adding that "a different judge could have ruled completely differently."

Comcast executives have begun reaching out to Fox and Comcast shareholders to make

No Apples With Oranges

Media mogul John Malone looks askance at vertically integrating his empire..... B5

their case for the merger, according to people familiar with the matter.

Because Disney and Comcast, like Fox, produce television shows and movies, either deal would represent a horizontal merger, in which direct rivals combine, further limiting the number of competitors

in the industry.

Comcast's regulatory path is different from Disney's in that it also includes vertical aspects, marrying different elements of the content production and distribution food chain. The AT&T deal was a vertical merger, and its approval was seen as an encouraging sign for Comcast's case.

Antitrust regulators have taken a harder line on horizontal mergers than on vertical ones and often require the buyer to sell off some assets to maintain a level of competition. Disney and Comcast already have signaled that they are willing to give up certain

assets to secure approval.

Both companies have indicated a willingness to shed Fox's collection of regional sports networks in the U.S. Comcast has said it would divest itself of any other Fox assets that Disney offers up as regulatory concessions, according to people close to Comcast.

The sports assets that would be combined in either a Disney-Fox or Comcast-Fox deal will get heavy scrutiny. Fox is selling nearly two-dozen regional sports networks including in New York, Los Angeles and Detroit. Its marquee property is the YES Network, the television

Please see page B5

AT&T Closes Deal, U.S. Holds Fire

BY DREW FITZGERALD
AND BRENT KENDALL

WASHINGTON—AT&T Inc. Thursday completed its purchase of Time Warner Inc., hours after the Department of Justice decided not to request a legal delay while antitrust officials consider whether to appeal their court defeat.

The cash and stock deal, worth about \$81 billion as of Thursday's close, leaves AT&T with more than \$180 billion in net debt and ownership of the legendary Warner Bros. film studio and cable channels like CNN and HBO.

The Time Warner business, which will be housed in a media division soon to get a new name, will be run as planned by longtime AT&T executive John Stankey. AT&T said former Time Warner Chief Executive Jeff Bewkes will stay aboard as senior adviser during a transition period.

On Tuesday, U.S. District Judge Richard Leon denied the Justice Department's attempt to block the deal and said the companies should be allowed to close their transaction before a June 20 deadline, which entitled Time Warner to a \$500 million payment if missed.

While the government didn't stand in the way of the deal closing this week, it is reserving its right to appeal and try to break up the joined company later on. A Justice Department official said Thursday the government still hasn't decided whether it will appeal the decision.

Makan Delrahim, the Justice Department's antitrust chief, said in an interview Wednesday evening that the agency was still reviewing the 172-page ruling. "Do I agree with it? No, but if I was faced with the same facts and case and economics would I bring it again? Yes," said Mr. Delrahim, adding that he believes "with every single bone in my body that the transaction would cause harm."

Judge Leon issued a strongly worded opinion Tuesday that took the unusual step of urging the government to let the companies close their deal without further legal interference. He said he hoped the Justice Department would have the "wisdom" not to seek an emergency stay of his ruling in light of the considerable time and expense devoted to the merger review, as well as the commanding win by the companies in his courtroom.

The judge's comments Please turn to page B5

Royal Caribbean Acquires Control of Luxury-Cruise Operator



ISABEL INFANTES/PA WIRE/ZUMA PRESS

SHIPPING OUT: A roughly 67% stake in Silversea Cruises is going to Royal Caribbean for \$1 billion. The closely held cruise operator specializes in luxury and expedition tours, with the majority of its ships accommodating only 100 to 300 passengers. B3

Facebook Top Strategist to Exit

BY DEEPA SEETHARAMAN

Facebook Inc.'s top policy and communications executive, Elliot Schrage, is stepping down, ending a decadelong tenure at the social-media giant as it faces intense scrutiny for its business practices and commitment to privacy.

Mr. Schrage has been one of the key architects of Facebook's strategy for various controversies, including its response to news that the political firm Cambridge Analytica improperly obtained data on 87 million Facebook users. He was involved in several public-relations missteps and was also credited internally with

encouraging the company to be more transparent in how it addressed some criticism.

Mr. Schrage, 57 years old, reported directly to Chief Operating Officer Sheryl Sandberg, whom he followed to Facebook from Alphabet Inc.'s Google in 2008, and served as one of her top allies.

In a Facebook post, Mr. Schrage said he will be on hand to search for his successor and will continue to advise top executives, including Chief Executive Mark Zuckerberg and Ms. Sandberg.

Top candidates to replace him include Joel Kaplan, Facebook's head of global public policy, and Rachel Whetstone, the former

top communications and policy executive at Google and Uber Technologies Inc. who joined Facebook a year ago, according to people familiar with the matter. Facebook is also looking externally, and one of the people said the company could bring in a political heavyweight.

Mr. Kaplan and Ms. Whetstone didn't immediately respond to requests for comment.

A Facebook spokeswoman said Mr. Schrage initially discussed leaving before the 2016 U.S. presidential election, but stayed on to help deal with scrutiny around misinformation and fabricated news articles on the platform.

"Leading policy and commu-

nications for hyper growth technology companies is a joy—but it's also intense and leaves little room for much else," Mr. Schrage said in his post on Thursday. He declined to comment beyond his statement.

Ms. Sandberg, in a comment to the post, called Mr. Schrage "one of the most creative and strategic people I have worked with."

Mr. Zuckerberg said in a separate comment: "You've made an extraordinary contribution to Facebook—dealing with some of our toughest challenges and helping enable some of our biggest opportunities."

—Betsy Morris contributed to this article.

INSIDE



HIGHER PAY FOR WAITERS AT TIPPING POINT

LABOR, B2

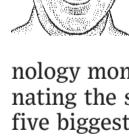


STOCKS ADJUST TO A LITTLE LESS LIFT

THURSDAY'S MARKETS, B10

STREETWISE | By James Mackintosh

Tech's Market Dominance Isn't a Crisis

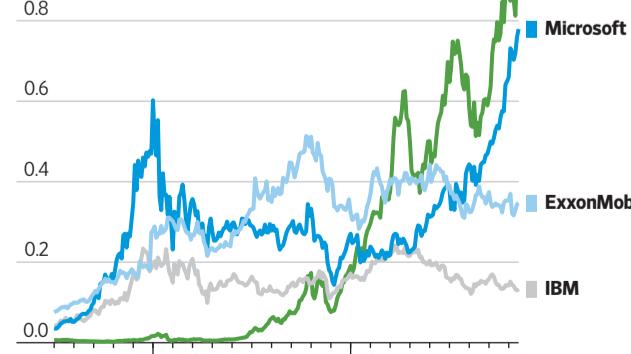
 As the race to become the first company worth \$1 trillion enters the final lap, technology monopolies are dominating the stock market. The five biggest companies by market value are U.S. tech stocks: Apple, Amazon, Alphabet, Microsoft and Facebook. Between them they accounted for more than one-third of the \$2.7 trillion increase in value of the S&P 500 in the past 12 months.

Worse, the top five now make up more than 15% of the S&P, the most for any top five since early 2000. Is it time to worry that the market is getting top heavy?

History suggests not, as a handful of companies have been far more dominating in the past. But that doesn't mean we should be unconcerned. The first risk to investors is that they turn out to be wrong to think that disruptive tech companies

Corporate Fortunes Rise and Fall

Market capitalization



Source: FactSet

will be immensely profitable in the future. The second risk is that the outperformance of a small group of huge companies is a sign that the market is approaching the end of the cycle, as it was ahead of the 1990, 2000 and 2008 re-

cessions, as well as in 1973. Start with the good news: Apple, with a market value of \$937 billion, is about 4% of the S&P on its own, the most of any company since Exxon Mobil in 2008, and before that Microsoft in the dot-

com bubble. But go back further and the S&P looks much better distributed: At the start of the 1970s, IBM was 9% of the index, while AT&T and General Motors both had a bigger share than Apple has today.

The same goes for the top five, which had a higher share of the S&P than they have today from 1964 until 1983, according to calculations by Tim Edwards of the index investment strategy team at S&P Dow Jones Indices. However, there used to be a longer tail of small companies, and the S&P now makes up a much larger proportion of the total value of the market.

What's different is that this time all five share a single characteristic, that of being disruptive tech stocks with strong grips on their customers. Shareholders have bought into the idea that these companies will dominate the market for many years to come,

Please turn to page B2

Wall Street's research business, which accounts for a portion of trading commissions.

Banks generate more than \$4 billion in the U.S. annually from notes and other engagements with their armies of analysts, according to estimates by Greenwich Associates. But the revenue stream is under pressure from new regulatory rules in Europe and clients' push to reduce their trading bills.

To bolster the business, banks are using some of the same techniques adopted by advertising and media companies, such as tracking who has access to the notes to ensure everyone is paying.

They also want to keep track of what clients are reading to help better price research products.

It is also a sensitive topic as banks are exploring new data products. Some bankers said that hedge funds have asked if they can see a stream of aggregated research data, such as what notes are the most read, or longest read, but also that their banks weren't selling that information, people familiar with those requests said.

The armed up data-tracking has rankled some customers, who worry that even anonymized readership habits, if shared with other clients, could allow rivals to get ahead of their trades.

Some liken it to the mael-

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to beat more conventional competitors in the future, too. But a lot of money is riding on the idea that the big five's fat profit margins or rapid growth are impervious to competition, even from one another.

It is also unusual that a small group of large companies should do so much better than everyone else. The scale of the outperformance is extraordinary: An investor who put the same money into each of the big five a year ago is up 38%, ignoring dividends, while the S&P is up 14%.

The simplest measure of large-stock performance within the S&P is to compare the ordinary index weighted by market value, where the biggest have a much bigger effect on market moves, against an equal-weighted version. Usually the equal-weight S&P does better, as smaller members of the index outperform the dullards at the top. But as the business cycle and market cycle grow old, it is common for investors to concentrate on a smaller number of big stocks, leading the equal-weight index to underperform. That is what happened ahead of the 1990 downturn, the popping of the dot-com bubble in 2000 and the 2008 crash after Lehman failed. It's happening again now.

But this time might be different. While the tech giants are beating the rest of the S&P, smaller stocks are beating the S&P, too, so it may be more about tech excitement than a rotation into big companies. Equally, the tech giants are no mere dot-com flash. But it is rare for the biggest stocks to outperform for long.

Such concentration by type of company should be troubling. It requires the belief that something deep has changed in the nature of business, and the big tech companies have better defenses for their profits than big companies had in the past. Or that they are able to exploit technologies in ways that other companies aren't, and that governments won't step in, as in the past, to restrict such highly profitable monopolies. Or perhaps that visionary leaders and innovative corporate cultures mean the companies are destined

to beat more conventional competitors in the future, too. But a lot of money is riding on the idea that the big five's fat profit margins or rapid growth are impervious to competition, even from one another.

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Not everybody working for tips favors higher base pay. Bianca Brancella, 26, said she struggles to make her rent and

car payments as a \$5-an-hour

Pizza Hut waitress in Rockland, Maine, but she is against a higher minimum wage.

"Forget it," she said. "There would be no tips."

In November 2016, Maine voters approved boosting the tipped minimum wage in a move that eventually would have given workers \$12 an hour. About six months later, legislators rolled back the initiative as complaints poured in from companies worried about costs and from some tipped workers who said customers didn't leave as much gratuity.

"You're looking at almost a doubling of your wages for most of your employees," said Joe Kefauver, who advises restaurants on public-policy issues

BUSINESS & FINANCE

Chubb Plants Its Flag in the Future

By LESLIE SCISM

Chubb Ltd. has teamed with a technology startup to sell insurance to passengers of ride-hailing services like **Uber Technologies** Inc. to cover medical and other costs in the event of an accident.

The startup, Sure Inc., has developed a product for passengers to purchase accident and death coverage on an on-demand, per-day basis via a smartphone application. It covers costs of injuries sustained when traveling in a ride-sharing vehicle.

One of the world's biggest property-casualty insurers, Chubb is part of an industry-wide race to develop new products as the car industry goes through a monumental shift.

Ride-hailing services continue to rise in popularity, while growth in autonomous vehicles will shift driving from humans to computers.

Both trends threaten to cut into one of the industry's biggest product lines in the U.S.: car insurance bought by individuals. These policies are estimated to deliver \$220 billion in premiums in 2018, according to trade group Insurance Information Institute.

Chubb will underwrite Sure's ride-sharing policies, which will pay up to \$10,000

in medical costs per accident and include a \$100,000 death benefit, the firms said. It costs \$2.40 for a 24-hour period.

In the U.S., passengers typically are covered by liability insurance provided by a ride-sharing firm itself.

For example, Uber provides a total of \$1 million of coverage per accident, according to its website. Uber's insurance program typically includes claims for medical expenses and loss of income, and it kicks in regardless of whether an Uber driver or an uninsured other motorist caused the accident, according to the firm.

"Since 2013, Uber has made insurance available at no added cost to riders," Gus Fulmer, an Uber executive, said in an email. "Our built-in \$1 million liability and uninsured/underinsured motorist coverage provides peace of mind and protection from unforeseen events."

Still, said Wayne Slavin, founder and CEO of Sure, which is based in Los Angeles and New York City, said his firm's new coverage, called RideSafe, is aimed at filling any potential gaps in such insurance payments to riders.

Proceeds from RideSafe policies also could be used by buyers to cover deductibles on their health-insurance policies, in the event of a costly accident in which the passenger is drawing on a health-insurance program, Mr. Slavin said.

The move from Chubb is one of many by insurers to

\$100K

Maximum death benefit covered by Sure's ride-sharing policies

"There are many people, carriers and insurtech startups thinking of the implications of the ride-hailing world, the potential for gaps in insurance coverage and the opportunity to offer innovative new products," said Michael Halsband, a partner at law firm **Drinker Biddle & Reath LLP**, whose focus includes insurance-industry mergers and acquisitions as well as insurance-technology startups.

For carriers, these early products provide opportunities to collect data about how the personal-transportation world is evolving, Mr. Halsband said.

The ride-hailing offering with Sure reinforces "our commitment to supporting efforts around digital transformation and providing consumers with peace of mind in emerging markets," said James Walloga, a senior executive at Chubb North America.

The product launch follows an announcement in December that Waymo LLC, the driverless-car unit of Google parent **Alphabet Inc.**, has teamed with California technology startup Trov Inc. to cover future passengers for lost and damaged property and for injuries.

Pay for Wait Staff at Tipping Point

By RACHEL FEINTZIG

Abby Dunn works as many as four shifts a week as a waitress at the Fainting Goat gastropub in Washington, D.C., to supplement her income from a full-time job at a nonprofit. The 24-year-old is never sure how many nights' tips it will take to cover her rent and student-loan payments.

"It's kind of exhausting how unpredictable it can be," she said.

In Washington, D.C., the minimum hourly wage for tipped workers is \$3.33 an hour, compared with \$12.50 for nontipped minimum-wage workers. (The latter rate is slated to rise to \$15 by 2020.) But the dual scale could soon become history. On Tuesday, district voters will consider an initiative to eliminate the lower tipped wage and enact one minimum wage for all workers at the higher level.

And campaigns to boost the minimum wage for bartenders, wait staff and others who work for tips are gathering steam outside D.C., leading some business owners to worry about rising costs.

Gov. Andrew Cuomo has asked New York state's Department of Labor to study a change similar to the one that Washington, D.C., is weighing. In Michigan, a coalition that includes advocacy group Restaurant Opportunities Centers United, submitted thousands of signatures to put a one-minimum-wage initiative on the ballot.

BUSINESS NEWS

Unilever Set to Lose Its Place In FTSE

BY SAABIRA CHAUDHURI

One of the U.K.'s biggest companies looks set to leave the FTSE 100, the country's blue-chip stock index.

Unilever PLC said Thursday it was "extremely unlikely" it would keep a place in the index after it consolidates its British and Dutch legal structure in the Netherlands. It currently operates as two separately listed companies, Unilever PLC in the U.K. and Unilever NV in the Netherlands.

The move could force some investors—namely funds that track the FTSE 100—to ditch the company's shares. It will also rob British and foreign investors invested in the index of some of their exposure to consumer goods. Unilever will still retain a listing in London but not one that allows it to be included in the FTSE, of which it is one of the largest components.

On the flip side, Unilever's weighting in pan-European indexes will increase. It will also be listed in the Netherlands and the U.S.

"It's very clear to us that it's extremely unlikely that the new NV shares will be included in the FTSE UK series," Unilever Chief Financial Officer Graeme Pitkethly said at a conference in Paris. Despite the disappointment—Unilever had initially hoped to stay in the index—he maintained that "simplification is the right thing for the company."

Unilever in March said it would unify its dual structure, picking the Dutch city of Rotterdam as its headquarters over London. The decision came after a review sparked by an unwelcome \$143 billion takeover proposal from **Kraft Heinz Co.** last year.

Rolls Cuts Jobs Under Pressure

Staff to shrink by 8.4% as investors press U.K. jet-engine maker over competitiveness

BY ROBERT WALL

British aircraft-engine maker **Rolls-Royce Holdings PLC**, facing investor pressure to boost competitiveness, said it would shed 4,600 jobs even as it grapples with mounting problems related to an engine powering **Boeing Co.** 787 Dreamliners.

The cuts announced Thursday, which represent 8.4% of the company's 55,000 workforce, will be implemented over the next 24 months, the company said. The job cuts are Rolls-Royce's largest since October 2001, when the company shed 5,000 jobs in response to a downturn in the global economy after the Sept. 11, 2001 terrorist attacks in the U.S.

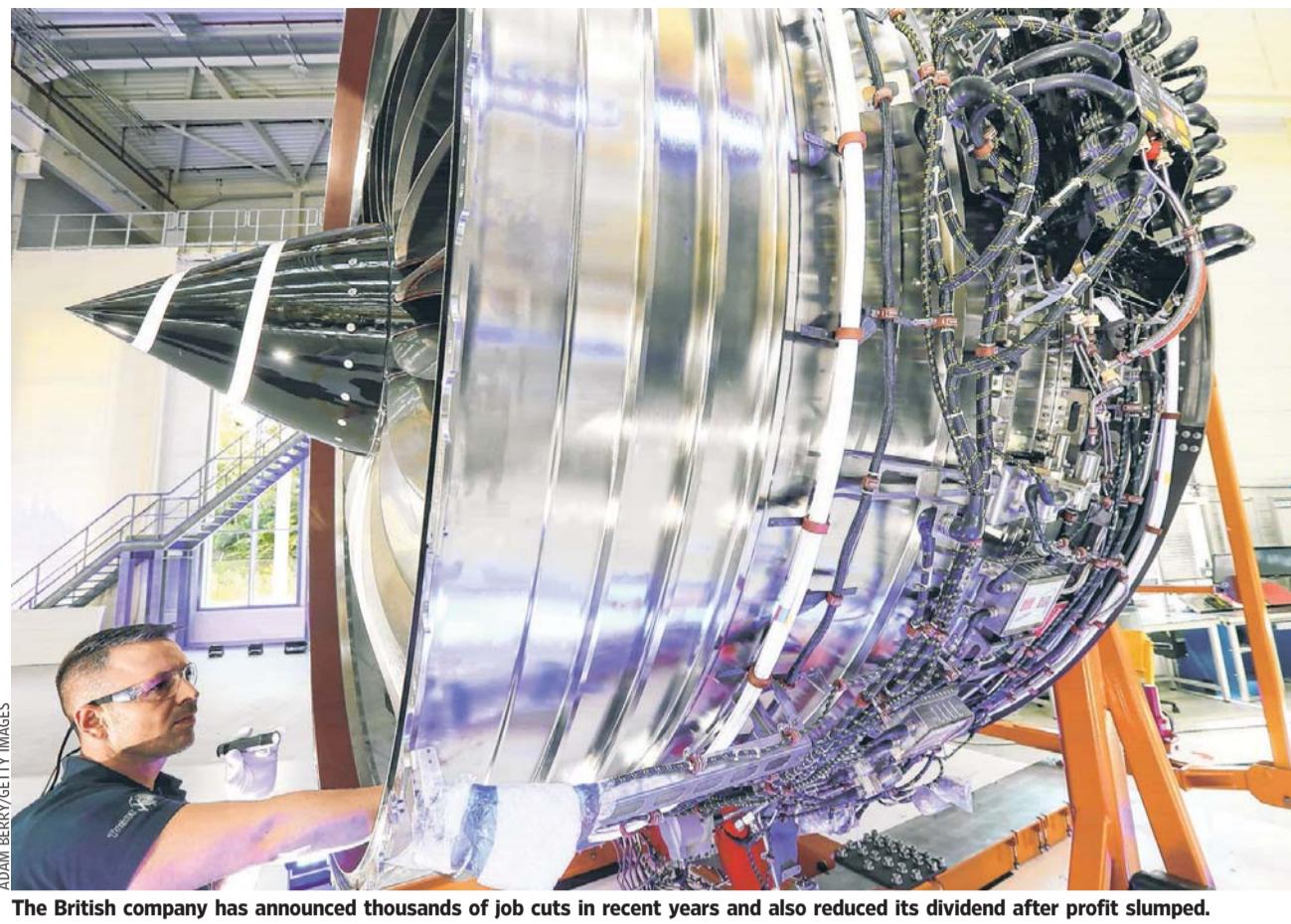
The move is the latest by Chief Executive Warren East to improve profitability at Rolls-Royce, which lags behind its U.S. rivals such as **General Electric Co.** The effort has been beset by setbacks, including faster wear-and-tear on components used on different engine models, including those used on some Dreamliner long-haul jets and others powering **Airbus SE A380** superjumbos.

Rolls-Royce said it would incur £500 million (\$670 million) in costs associated with the staff reductions through 2020. Annual savings by the end of the program should reach £400 million, it said.

Rolls-Royce shares closed up 6.5% at £8.83 on Thursday in London.

Rolls-Royce, no longer affiliated with the luxury car maker, has announced thousands of job cuts in recent years and also reduced its dividend after profit slumped.

Rolls-Royce is under pres-



The British company has announced thousands of job cuts in recent years and also reduced its dividend after profit slumped.

sure to improve. U.S. activist investor **ValueAct Capital Management** became its largest shareholder in 2015 and a representative joined the board in 2016. An agreement with the company to refrain from openly criticizing Rolls-Royce's strategy expired this year. Rolls-Royce has said it is prepared to sell its marine unit, which has been struggling, and earlier this month completed the sale of its fuel-injector business to Woodward Inc.

Activist investors have already driven big changes at U.S. industrial giants such as GE, where **Trian Fund Management** has pushed for cost cuts and a revamp of operations. Last year, **Honeywell International Inc.** said it would spin off its home and trans-

portation businesses, winning over activist investor **Third Point**, which had pushed the Morris Plains, N.J.-based company to streamline.

Mr. East told reporters the restructuring marked "a pivotal moment" for Rolls-Royce to prepare for the future and boost cash generation. He signaled this could be the end of a series of job-cut announcements since he joined in 2015.

He stuck to his target of delivering around £1 billion in free cash flow in about two years, though the figure strips out the restructuring costs. Free cash flow this year should be between £350 million and £550 million, the company said, as it reaffirmed previous guidance.

Rolls-Royce also is dealing with customer complaints because of engine problems that have forced some carriers to park planes for repairs and rent alternative jets to continue flying. Some have had to fly longer routes to handle flight restrictions regulators have imposed on some Dreamliners because of engine problems.

Rolls-Royce in March estimated it would face £340 million in cash costs from additional inspections and fixes.

The company said it would cut some travel, information-technology and research-and-development expenses to mitigate the cost impact.

But since it first announced the belt-tightening in April, new problems have

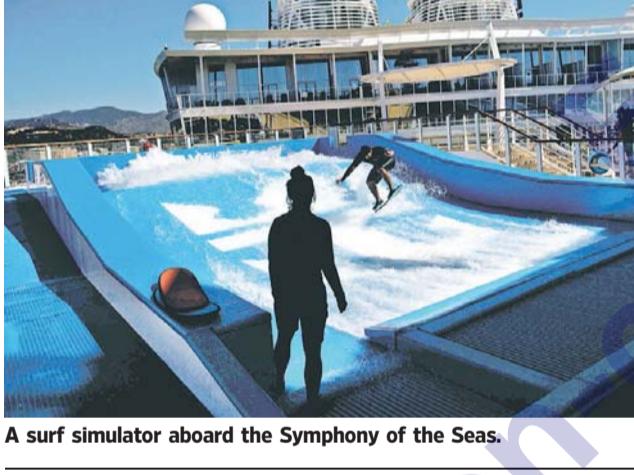
emerged. The company on Monday said the problems with its Boeing 787-powering Trent 1000 engines had widened, and an additional subset of engines would need to be checked, forcing airlines to idle planes. The engine maker said it didn't yet know the cost impact.

Mr. East said none of the job cuts would affect efforts to fix its engines. Initiatives to boost production of new engines also would be unaffected, he added.

Rolls-Royce has said it could take until 2021 to fix all affected engines.

The company said Thursday about one-third of the job cuts would take place before the end of the year and should be completed in mid-2020.

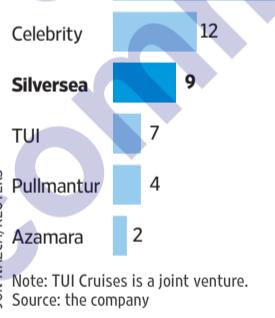
Royal Caribbean Spends \$1 Billion for Luxury Operator



A surf simulator aboard the Symphony of the Seas.

Wave Upon Wave

Fleet sizes for major Royal Caribbean brands



Note: TUI Cruises is a joint venture.

Source: the company

THE WALL STREET JOURNAL.

BY NISHANT MOHAN

Royal Caribbean Cruises Ltd. said Thursday it has agreed to buy a roughly 67% stake in privately held **Silversea Cruises** for about \$1 billion.

Royal Caribbean Chief Executive Richard Fain said the deal will allow the company to expand vacation options with Silversea's position in luxury and expedition cruising. Monaco-based Silversea operates nine vessels and touts its ability to take customers to all seven continents.

Ultraluxury and expedition cruises "are projected to have strong demand growth, and both are vacation products used

by our higher yielding guests," Mr. Fain said on an investor call. "While we could build into this market over time, we believe that the Silversea's partnerships provide us immediate access into these markets."

Silversea's largest ship can serve just over 600 passengers, but the majority have a capacity of only 100 to 300.

Earlier this year Royal Caribbean introduced Symphony of the Seas, the world's largest cruise ship, which can serve 5,518 guests.

Silversea Executive Chairman Manfredi Lefebvre d'Ovidio and CEO Roberto Martinoli will remain in their roles after the acquisition. Mr. Lefebvre's fa-

ther founded Silversea.

Wells Fargo senior analyst Timothy Condor said in a research note that he likes Royal Caribbean's rationale for the acquisition as the ultraluxury cruise line rounds out the company's portfolio of brands.

Royal Caribbean operates Royal Caribbean International, Celebrity Cruises and Azamara Club Cruises, and holds stakes in other brands. It has 50 ships across its brands, with 11 ships on order as of March.

The company in April increased its full-year earnings guidance as it reported bookings were ahead of last year's record pace. It affirmed that outlook on Thursday.

Some Airlines Hold to Taiwan Stance

BY TREFOR MOSS

SHANGHAI—Many global airlines have bowed to Chinese demands to refer to Taiwan as part of China, but a handful of others—including the three main U.S. international carriers—haven't, amid a U.S. backlash against Beijing's insistence on conformity with its views.

The U.S. airlines look to be taking their cue from Washington, with a bipartisan group of U.S. Senators urging the carriers to stand up to Chinese "bullying" and the White House branding China's request "Orwellian nonsense."

"We have deferred the mat-

ter to the U.S. Government since this is a diplomatic issue to be resolved among governments," a **United Airlines** spokesman said in a statement given to The Wall Street Journal on Wednesday.

Though China claims Taiwan, the island nation is run by its own democratically elected government. Beijing has set a June 24 deadline for compliance.

"This is another example of China using its growing global heft to ensure that its view of the world informs the behavior of organizations, countries and companies world-wide," said Kenneth Jarrett, president of the American Chamber of Commerce in Shanghai.

Other holdouts as of Thursday included Japan's ANA and JAL, Korea's Asiana and Korean Air, Air India and Vietnam Airlines. These carriers are from countries with historical or political reasons for wanting to stand up to China—including territorial disputes.

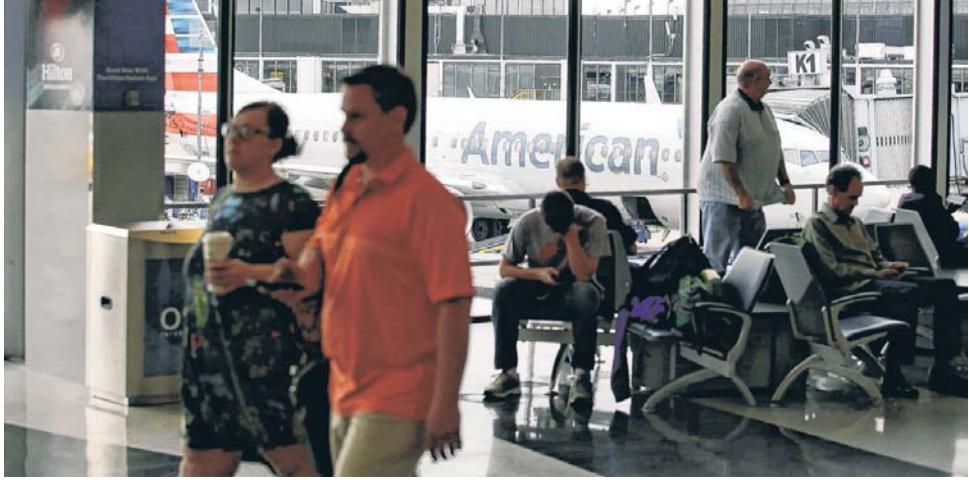
Beijing has set a June 24 deadline for compliance.

China wrote to airlines in April demanding that they change their websites and other materials—not just in China, but globally—and adopt language approved by Beijing regarding self-ruled Taiwan.

Hong Kong and Macau, which are special administrative regions of China, are also included in the order.

Airlines were initially given 30 days to comply, though the deadline was later extended until June 24 to give them extra time to make the required changes. Airlines that don't comply are liable for punishments including more frequent government inspections and the loss of landing slots at Chinese airports, according to China's civil aviation authority.

The country's authorities are more aggressively demanding that consumer-facing information reflect China's world view. This year alone, at least a dozen U.S. and other Western brands and companies—including Marriott International, the Zara apparel chain and Daimler's Mercedes-Benz unit—have drawn Beijing's ire for what it considered inflammatory content.



American Airlines is among those carriers that have yet to comply with a directive from Beijing.

For companies doing business in China this may eventually boil down to a choice: Amend your global websites to reflect China's view of its territorial sovereignty, or face being excluded from or disrupted in the China market," Mr. Jarrett said.

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TECHNOLOGY

WSJ.com/Tech

Cracking the iPhone's Passcode

An Atlanta startup's \$15,000 device helps police unlock Apple's privacy safeguards

By ROBERT McMILLAN

At a conference of law-enforcement forensics officials last week, someone asked David Miles what would happen if Apple Inc. tried to ruin his business.

Mr. Miles heads an Atlanta startup called **Grayshift** LLC that sells a \$15,000 iPhone-unlocking box to police and other authorities in the U.S. The device's popularity has contributed to what some forensics investigators say is a golden age of iPhone investigations and led the conference attendee to ask what Grayshift could do if Apple tried to block it.

"That's the question everyone's asking," Mr. Miles said to muted laughter, before returning to a demonstration of how his device, called a GrayKey, could break into an iPhone and download nearly all of the data available on the device.

Now Apple is indeed firing back, saying Wednesday it is testing a change to its iOS mobile software that, according to people familiar with the company's plans, could stop the GrayKey from getting into iPhones. It is a blow in the cat-and-mouse game between the world's most valuable publicly traded company and a handful of forensic-tools makers, including Grayshift, that have found ways to penetrate the iPhone's much-touted privacy defenses.

Behind that skirmish is the larger debate over how to balance user privacy against the desire of law-enforcement officials to access information on devices they say could aid investigations and, in some cases, potentially save lives.

Apple fought an epic battle in 2016 over that issue with the Federal Bureau of Investigation, which asked a federal court to force the tech giant to unlock an iPhone used by one of the shooters in the 2015 San Bernardino, Calif., terrorist attacks.

Apple at the time said helping the FBI would risk creating a tool that could compromise the security of all its custom-



Investigator Chris Ford of Georgia's Gwinnett County, which has used Grayshift's unlocking device.

lence to law enforcement than Android phones do, forensics investigators say.

The company is developing the new methods with the assistance of accomplished iPhone hackers, including at least one former member of Apple's security team who left the company in 2012, according to people familiar with the company.

Apple declined to comment on GrayKey specifically, or to discuss its further plans for combating such efforts.

"We have the greatest respect for law enforcement, and we don't design our security improvements to frustrate their efforts to do their jobs," Apple said Wednesday.

Apple has moved to work more closely with law enforcement. In March, an Apple executive took the unusual step of providing a presentation about digital forensics during an invitation-only international law-enforcement conference in the U.K.

While other companies offer ways to break into iPhones, Grayshift has become popular with U.S. law enforcement because of its low cost, effectiveness and ease of use, forensics experts say.

In Georgia's Gwinnett County, local prosecutors have used the GrayKey 30 times in the past month to extract emails, texts, contact lists and other data that previously had been nearly impossible to collect from iPhones, according to Chris Ford, an investigator with the county's district attorney's office.

Mr. Ford credits the GrayKey with helping crack homicide, armed robbery, rape and other criminal cases.

"FBI agents from Atlanta were driving up to use this device because they didn't have one yet," he said.

The FBI declined to say whether it uses GrayKey.

Grayshift has kept a low profile, declining media requests for interviews and maintaining a bare-bones website with no details about its products. The company lists an Atlanta-based UPS Store as its business address.

At last week's conference, an armed guard shadowed Grayshift's booth.

"We're very careful to make sure that the product only goes to those who are authorized to use it," Mr. Miles said.

Search for Growth

Snap is under pressure to attract more users.

Change in daily users from the previous quarter



Source: the company

THE WALL STREET JOURNAL.

New Push By Snap To Test It On Privacy

By GEORGIA WELLS

Snapchat is opening its platform to outside software developers in a push for growth that could also test its commitment to privacy.

Starting Thursday, the Snapchat platform will allow developers to add features and integrate outside apps, which **Snap Inc.** hopes will draw more users. The move comes in the wake of revelations over the past year that Snap's larger rival, Facebook Inc., shared data about its users more widely than they understood, in part through apps created by outside developers.

Those disclosures have spurred a reckoning in the

The company says it won't share any information about its users' friends.

tech industry about how companies share what they know about their users. In response to some of these concerns, Facebook has taken a number of steps to limit the amount of data shared with outside developers.

Snap's developer platform shares just a sliver of the information that Facebook shares with developers and was built with privacy in mind, Snap says. But under pressure to prove that it can attract more users, the company is opening access slightly. Snap's user base in the most recent quarter grew just 2.14%, down from double-digit growth two years ago.

"The key for us is finding ways to take things that make Snap special and bringing them to more people and applications," said Jacob Andreou, vice president of product at Snapchat.

While Snap says only one portion of the developer platform shares information with third parties—the display name people set for Snapchat, should they choose to share it, along with the option of including their bitmoji avatars—opening up the system increases the risk that information could end up in the wrong hands.

Snap's track record with protecting user security isn't flawless. In 2014, unauthorized third-party developers built apps that tricked Snap's servers into sharing information, letting users secretly save Snaps.

"We learned a lot from that experience," said Katherine Tassi, deputy general counsel for Snap. "It was an important reminder of the security threat that third-party apps can pose to our community."

Ms. Tassi said the 2014 incident is one reason why Snap will bring other apps on board only after they go through a human review and approval process so that Snap can reject any apps that want to misuse Snapchat or store user credentials.

With the developer platform, Snap is taking measures Facebook initially neglected: Snap won't share any information about its users' friends, and Snap will automatically disconnect an app if the user hasn't logged onto the app that they signed into with Snapchat in more than 90 days.

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PUBLIC NOTICES

IN THE HIGH COURT OF JUSTICE BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES COMPANIES COURT (ChD) CR-2017-009253

IN THE MATTER OF RIVERSTONE INSURANCE LIMITED AND RIVERSTONE INSURANCE (UK) LIMITED AND

IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 NOTICE

NOTICE IS HEREBY GIVEN that, on 11 May 2018, RiverStone Insurance Limited (the "Transferee") and RiverStone Insurance (UK) Limited (the "Transferee") made an application (the "Application") to the High Court of Justice, Business and Property Courts of England and Wales, Chancery Division of the Companies Court in London (the "Court") pursuant to section 107(1) of the Financial Services and Markets Act 2000 (as amended) ("FSMA") for an Order:

(1) under section 111 of FSMA sanctioning an insurance business transfer scheme for the transfer to the Transferee of the business (the "Transferring Business") carried on by the Transferee (the "Scheme"); and

(2) making ancillary provision in connection with the Scheme pursuant to section 112 and 112A of FSMA.

A copy of a report on the terms of the Scheme prepared in accordance with section 109 of FSMA, by an Independent Expert, Mr Philip Tippin of KPMG LLP, whose appointment has been approved by the Prudential Regulation Authority, the ("Scheme Report"), a statement setting out the terms of the Scheme and containing a summary of the Scheme Report, and the full Scheme document and available free of charge at www.riftruk.co.uk. Supporting documents and any further news about the Scheme will be posted on this website so you may wish to check for updates. You can also request free copies of any of these documents by writing to or telephoning the Transferee using the contact details below.

The Application is due to be heard on 7 September 2018 by a Judge of the Chancery Division of the Companies Court of the High Court at The Rolls Building, Fetter Lane, London, EC4A 1NL, United Kingdom. If sanctioned by the Court, it is currently proposed that the Scheme will take effect on 7 September 2018.

Any person who claims that he or she may be adversely affected by the carrying out of the Scheme has a right to attend the hearing and express their views either in person or by a legal representative.

Any person who claims that they may be adversely affected by the Scheme but does not intend to attend the hearing may make representations about the Scheme by telephone or in writing to the solicitors named below or the Transferee using the contact details set out below.

Any person who intends to appear at the hearing or make representations by telephone or in writing is requested (but is not obliged) to notify his or her objections as soon as possible and preferably at least five days before the hearing of the Application on 7 September 2018 to the solicitors named below or the Transferee using the contact details set out below.

If the Scheme is sanctioned by the Court, it will result in the transfer to the Transferee of all the contracts, property, assets and liabilities relating to the Transferring Business; notwithstanding that a person would otherwise be entitled to terminate, modify, acquire or claim an interest or right to treat an interest or right as terminated or modified in respect thereof. Any such right will only be enforceable to the extent the Order of the Court makes provision to that effect.

15 June 2018

Transferor contact information:

Telephone number 01273 792007 (or, if resident outside the UK, on +44 01273 792007). Our phone lines are open from 9:30am to 5:30pm Monday to Friday (excluding bank holidays).

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The move displeased some crafts sellers on the marketplace.

Charged Up

Shares of Etsy, which went public in 2015, hit a record closing high on Thursday.

\$45

Thursday \$41.65

▲26%

J F M A M J

SOURCE: FactSet

THE WALL STREET JOURNAL.

Etsy Raises Merchant Fees

BY AISHA AL-MUSLIM

Online crafts marketplace **Etsy Inc.** said it is increasing the transaction fees it charges, pleasing Wall Street investors but angering some of the merchants that sell on the site.

Starting July 16, the transaction fee charged by Etsy when a seller makes a sale will rise to 5% from 3.5%, the company said Thursday. It also will begin collecting a fee equal to 5% of the shipping cost. For example, an item sells for \$30, with the buyer also paying \$3 for shipping; under Etsy's new fee structure, sellers would pay \$1.65 on the transaction—\$1.50 for the item and 15 cents for shipping—compared with \$1.05 before.

Other fees, including the 20 cents that Etsy's more than 2 million active sellers pay per item listed on the platform, will remain the same.

As a result of the changes, Etsy raised its forecast for annual revenue growth to a range of 32% to 34%, from 22% to 24%. The company reported 2017 revenue of \$441.2 million and a profit of \$81.8 million.

Shares rose 26% to a record closing high of \$41.65 on Thursday.

Etsy, which was founded in 2005, made its initial public offering in April 2015, and its stock has more than tripled over the past year.

The Brooklyn, N.Y.-based company said the higher fees will support investments to attract more buyers, build seller tools, revamp its community platforms and enhance customer support. The company also plans to increase its marketing spending by at least 40% this year. Next month, Etsy will run its first national television ads in the U.S. during the new NBC reality crafting competition "Making It."

The moves come after Etsy last year named a new chief executive, Josh Silverman, and reduced its workforce in an attempt to rein in spending.

Whitney West, 30 years old, was among sellers who first learned of the fee changes from Etsy in an email Thursday. Ms. West, who launched her shop FutureWorldWest in March, said she doesn't earn a profit on the shipping costs that customers pay for her Mickey

Mouse-inspired ears and Etsy shouldn't either.

Meaghan Murphy, of Los Angeles, said she is closing her shop and considering going to Etsy competitor Shopify Inc., a Canadian e-commerce platform.

The writer and television producer has been selling vintage sewing patterns for \$8 to \$50 each as a hobby on Etsy since 2009.

"I do understand and appreciate that they have to satisfy their shareholders, but what is an Etsy brand if the people who made it special are gone," she said.

Etsy said it did research with sellers before the announcement and that its shipping changes are in line with industry standards. "These changes were designed not only with the input of our sellers, but with the benefits to our sellers in mind," said Kruti Patel Goyal, Etsy's general manager overseeing sellers.

KeyBanc Capital Markets analyst Edward Yruma said the revised pricing should help Etsy keep up with competitors, which include Amazon.com Inc., eBay Inc., and Shopify.

BUSINESS NEWS

Malone Shuns 'Apples and Oranges' Deals

Media mogul is skeptical of mimicking vertical mergers, citing lack of flexibility

BY SHALINI RAMACHANDRAN

Comcast Corp. and **AT&T** Inc. have made audacious moves to become media distribution and content conglomerates, but one of the industry's most powerful players is skeptical of that approach and doesn't plan to follow suit: cable tycoon John Malone.

In an interview this week, Mr. Malone, a pioneer of the cable industry who owns significant stakes in No. 2 U.S. cable operator **Charter Communications** and cable-channel owner Discovery Inc., said he doesn't plan to consolidate his empire into a vertically integrated content and distribution player any time soon.

"Why would I put Discovery together with Charter? Apples and oranges," Mr. Malone said. "If you are just forming a conglomerate by putting everything in the same bucket, it eliminates your flexibility, you've got tax problems, regulatory problems and a lot of problems that these companies operating autonomously don't have."

Mr. Malone said there may be smaller content opportunities for Charter, including teaming up with other distributors in a joint venture to own content companies. It could also buy regional sports networks, regional news or Spanish-language assets, he said.

AT&T's acquisition of **Time Warner** Inc. is on the brink of closing after the companies defeated an antitrust lawsuit this week. Comcast, which already owns NBCUniversal, is bidding for 21st Century Fox Inc. entertainment assets



The longtime deal maker says he isn't planning to consolidate his cable and media empire but is sizing up smaller opportunities.

ation of networks such as CNN and BET. Though he sold his then-No. 1 cable company Tele-Communications Inc. in 1999 to AT&T, he has made a comeback in recent years, including by orchestrating Charter's acquisition of Time Warner Cable Inc. in 2016.

Besides Discovery and Charter, he also has interests, personally and through various holding companies, in companies including Lions Gate, international cable operator Liberty Global PLC, Sirius XM, Formula One, internet-radio service Pandora and home shopping channels.

"There are some synergies amongst companies that we have a stake in that we're still exploring" that could lead to deals, Mr. Malone said.

Last year, **Verizon Communications** Inc. and Japanese conglomerate **SoftBank Group** Corp. made merger offers to Charter, which Charter rebuffed as too low. Verizon bid in the \$350-a-share range while SoftBank's offer was at \$540 a share in cash and stock, which included contributing Sprint shares at roughly \$10 a share, people familiar with the matter said.

Now, Charter's shares have fallen sharply on cord-cutting worries and are trading at around \$295 a share.

Mr. Malone said "there was a logic" in a Verizon-Charter combination to accelerate the deployment of the next-generation wireless broadband technology called 5G. He said Verizon hasn't recently made another approach.

SoftBank, he said, was offering a "complex transaction" and in the end it required Charter to acquire wireless carrier Sprint Corp., which is controlled by SoftBank. "There were real questions about the value of Sprint," he said.

against rival **Walt Disney** Co. The two companies have said that marrying content and distribution will help them create streaming products and give them access to consumer data that will allow them to better compete against tech giants for ad dollars.

Mr. Malone, a deal maker whose ideas carry weight in the industry, said AT&T and Comcast face a challenge in deriving financial and operational benefits from such deals. He said AT&T would be more likely to reap benefits because of its national wireless footprint, which would allow it

to use Time Warner's entertainment content, including cable channels like HBO and CNN, to drive revenue growth in its wireless business.

Comcast, in contrast, still only operates in some regions of the country. "If I was [Comcast Chief Executive] Brian Roberts, I would probably have a content company and a cable company instead of one company. Maybe I would have done better, maybe not," he said with a laugh.

Charter, like Comcast, is regional. It is available in "maybe 30% of the U.S.," while the content business today re-

quires global scale, he said.

Targeting Spanish-language media would make sense for Charter, he said, because Hispanics are "heavily concentrated" in the company's markets. One such asset is Univision Communications Inc., the largest Spanish broadcaster in the U.S., whose private-equity owners have been eager for an exit. Univision is "a valuable asset," Mr. Malone said. But, he asked, "is it worth what people will sell it to you for?"

Last year, Mr. Malone and Discovery Chief Executive David Zaslav made an unsuccessful run at Univision, offering

more than \$12 billion for the company, which Univision rejected, The Wall Street Journal has reported.

Other U.S. content companies, including Viacom Inc., CBS Corp., AMC Networks Inc. and Hollywood studio **Lions Gate Entertainment** Corp., are ripe for a roll-up, Mr. Malone said. "How do these companies evolve in this world of giants...where Disney can buy this piece of Fox and they are still tiny compared to Facebook and Apple?"

Mr. Malone helped shape the modern media and cable industry, helping fund the cre-

Comcast, Disney Set To Battle

Continued from page B1

home of the New York Yankees. Fox's regional sports networks have been valued at \$23 billion by industry analysts.

Comcast's nine regional sports networks carry local teams in major markets such as Philadelphia and Chicago. Its SNY, the home of the New York Mets, competes for advertisers with Fox's YES. The addition of Fox's channels would make Comcast the home for local sports in just about every major television market. That could potentially give it leverage in negotiations with other distributors for the

rights to carry those channels. However, the channels for the most part don't compete against one another.

Disney doesn't operate any local sports channels, but it owns ESPN, which has national channels and rights to just about every major sport. The addition of Fox's 22 regional channels could give it tremendous clout locally and nationally with pay-TV distributors, sports leagues and advertisers.

Neither proposed deal includes the Fox Broadcasting network, its local TV stations, the Fox News and Fox Business channels or the national sports channel Fox Sports 1. The broadcast businesses in particular would have likely made either deal virtually impossible to get past regulators because Disney owns ABC and Comcast owns NBC.

News Corp., parent of The Wall Street Journal, and 21st Century Fox share common

ownership.

Hulu, the video-streaming service, will also be a focal point in the regulatory review. Fox, Comcast and Disney each own 30%, while Time Warner—soon to be part of AT&T—owns the other 10%. Whoever ends up with the Fox assets would also end up with majority control of Hulu.

When Comcast acquired its stake in Hulu as part of its NBCUniversal acquisition, regulators were concerned that it would have incentive to protect its own core distribution and content businesses rather than enable a potential rival to grow. As a result, the government required Comcast to become a "silent partner" in Hulu with no say in management, an agreement that expires at the end of August.

Comcast has said it would be willing to divest itself of the Fox stake in Hulu if it were to become a sticking point for

Brian Roberts, Comcast chief executive, said Wednesday, "We believe our transaction is as or more likely to receive regulatory approval than Disney's."

Disney CEO Robert Iger said in May that his company was "deep in the regulatory process" and declined to comment further.

Both bidders are expected to make the case that while well-known U.S. brands are part of an acquisition, from a financial standpoint much of the revenue from the assets Fox is selling comes from European international operations, including pay-TV operator Sky.

Disney's \$52.4 billion bid, announced in December, has already spent several months moving through the regulatory review process.

—Sarah Krouse and Shalini Ramachandran contributed to the article.

a "firewall" between Turner and AT&T to prevent the transfer of any competitive or sensitive information about contract terms or pricing.

Such conditions would make it easier to unwind the combination were the government to win on appeal. Mr. Petrocelli said AT&T would keep the conditions in place until the conclusion of the legal proceedings or Feb. 28, 2019.

Under the terms of the deal, Time Warner investors received 1.4 shares of AT&T common stock and \$53.75 in cash for each share of Time Warner. As a result, AT&T issued 1.185 billion shares and paid \$42.5 billion in cash.

The Justice Department hadn't lost a merger case in more than a decade, so it hasn't faced a question of appeal in a long time. The DOJ's calculations on whether to appeal could in-

volve a number of considerations: likelihood of success, resources, and the broader importance of the legal issues at stake.

Judge Leon in his ruling Tuesday emphasized that he was relying heavily on the specific facts of the case and not issuing a broad ruling that would threaten the government's ability to bring future cases against vertical mergers that combine complementary companies. Some legal observers, however, have said the ruling is a considerable blow to the government, no matter the judge's statement.

The Federal Trade Commission, which shares antitrust authority with the Justice Department, has faced appeals decisions in merger cases during the Justice Department's long winning streak.

—Sarah Krouse contributed to this article

The Big Players In a Takeover Game

21ST CENTURY FOX

Twenty-two regional sports networks around the country. Its biggest property is the YES Network, home of the New York Yankees and Brooklyn Nets. It also owns channels in most of the top markets, including Los Angeles, Detroit, St. Louis and Pittsburgh.

Neither deal would include national sports channel Fox Sports 1, which will remain in a different company with Fox News.

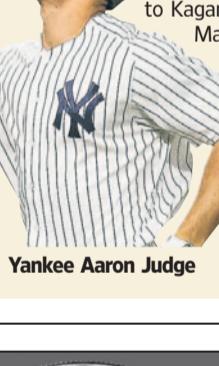
COMCAST CORP.

Comcast owns nine regional sports networks and the national channel NBC Sports Network. Comcast's biggest local sports channels are in Philadelphia, Chicago and New York, where its SNY network carries the New York Mets.

WALT DISNEY CO.

Disney owns ESPN, the most expensive channel for pay-TV subscribers with a monthly fee approaching \$8, according to Kagan S&P Global Market Intelligence.

ESPN also has several sister channels as well as its ESPN Plus streaming service.



Yankee Aaron Judge



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Makan Delrahim, the Justice Department's antitrust chief, says the agency is still reviewing the decision.

MARKETS DIGEST

EQUITIES

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Bars measure the point change from session's open

*Weekly P/E data based on as-reported earnings from Birnvi Associates Inc.

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Industrial Average	25332.50	25138.60	25175.31	-25.89	-0.10	26616.71	21287.03	17.9	1.8	12.0
Transportation Avg	11081.25	10973.90	11009.49	6.34	0.06	11373.38	9021.12	17.0	3.7	9.4
Utility Average	674.62	664.33	673.30	8.70	1.31	774.47	647.90	-8.3	-6.9	6.3
Total Stock Market	29049.41	28918.07	28992.42	80.16	0.28	29630.47	24958.26	15.1	4.8	9.7
Barron's 400	758.49	754.03	755.93	0.91	0.12	758.12	629.56	17.2	6.3	9.4

Nasdaq Stock Market

Nasdaq Composite	7768.60	7723.53	7761.04	65.34	0.85	7761.04	6089.46	25.9	12.4	15.4
Nasdaq 100	7291.31	7233.70	7279.59	74.34	1.03	7279.59	5596.96	27.7	13.8	17.8

S&P

S&P	500 Index	2789.06	2776.52	2782.49	6.86	0.25	2872.87	2409.75	14.4	4.1	9.9
MidCap 400	1996.90	1985.32	1995.70	4.30	0.22	2003.97	1691.67	13.8	5.0	9.2	
SmallCap 600	1039.84	1033.20	1039.09	2.97	0.29	1041.95	817.25	21.3	11.0	12.7	

Other Indexes

Russell 2000	1684.73	1674.53	1684.72	8.19	0.49	1684.72	1356.90	19.5	9.7	10.0
NYSE Composite	12823.81	12761.51	12771.95	-13.50	-0.11	13637.02	11696.28	8.8	-0.3	5.1
Value Line	582.73	579.89	581.80	1.16	0.20	589.69	503.24	11.5	3.5	4.4
NYSE Arca Biotech	4933.31	4875.12	4918.34	43.96	0.90	4939.86	3687.03	33.4	16.5	6.5
NYSE Arca Pharma	536.42	533.23	534.54	1.30	0.24	593.12	514.66	1.2	-1.9	-2.9
KBW Bank	109.03	107.13	107.60	-1.03	-0.95	116.52	89.71	14.5	0.8	10.9
PHLX® Gold/Silver	84.72	84.14	84.67	0.88	1.05	93.26	76.42	6.0	-0.7	8.4
PHLX® Oil Service	155.38	153.32	154.19	-0.12	-0.08	170.18	117.79	15.6	3.1	-9.8
PHLX® Semiconductor	1429.99	1414.86	1423.12	8.64	0.61	1449.90	1020.51	32.9	13.6	25.8
Cboe Volatility	13.07	11.88	12.12	-0.82	-6.34	37.32	9.14	11.2	9.8	-4.2

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	16,098.6	278.53	-0.20	-0.07	278.84	277.98
Van Eck Vectors Jr Gold	GDXJ	4,829.8	33.18	-0.02	-0.06	33.21	33.16
AT&T	T	4,322.5	32.65	0.13	0.40	32.90	32.44
Disney	DIS	4,052.0	108.52	-0.23	-0.21	108.99	108.52
Van Eck Vectors Gold Miner	GDX	3,534.4	22.64	-0.02	-0.09	22.67	22.60
SPDR S&P Biotech	XBI	3,035.3	97.64	0.05	0.05	97.64	97.50
Altice USA Cl A	ATUS	2,922.9	17.98	...	unch.	17.98	17.70
Bank of America	BAC	2,284.9	29.51	0.01	0.03	29.54	29.41

Percentage gainers...

Verastem	VSTM	140.4	5.98	0.40	7.17	6.16	5.20
Jabil	JBL	399.7	30.45	0.79	2.66	31.32	29.59
HUYA ADR	HUYA	111.7	45.11	1.07	2.43	45.68	43.26
Sogou ADR	SOGO	91.8	13.65	0.27	2.02	13.65	13.11
Immunomedics	IMMU	281.7	24.48	0.48	2.00	24.48	23.99
...And losers							
Arrowhead Pharmaceuticals	ARWR	149.6	11.17	-0.48	-4.12	11.90	11.17
Adobe Systems	ADBE	1,289.3	249.00	-9.10	-3.53	259.00	244.28
Viacom B	VIAB	258.5	28.00	-0.91	-3.15	28.92	28.00
Destination Maternity	DEST	107.6	5.05	-0.14	-2.70	5.26	4.90
Immunogen	IMGN	320.2	10.26	-0.23	-2.19	10.49	10.26

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Astellas Cos.	MK	18.86	-3.07	-14.00	-14.00</td		

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TEA WITH A DIFFERENCE
'I'LL TAKE THAT TOPPED
WITH CHEESE, PLEASE' P2

ALL YOU NEED TO KNOW

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CHINA DAILY 中國日報



NEW PERSPECTIVES
TRADITIONAL CRAFTS
GO UNDER THE LENS P4

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City Aims to Show Way on Innovation

Shenzhen is ramping up efforts to attract highly skilled professionals. **Cheng Yu** and **Lu Haoting** report

It was a summer night on May 6, 1979, when a group of more than 200 youngsters from Nanling village made a desperate dash across the Shenzhen River with the hope of beginning a new life in Hong Kong.

More than 500 villagers from Nanling left their homes for Hong Kong between 1956 and 1979 due to poverty. With per capita annual income of less than 100 yuan (\$16), they risked their lives to cross the river to Hong Kong, where people at the time earned more than 10,000 yuan a year.

But four decades later, instead of fleeing, people are flocking in. Nanling has been urbanized and has become one of China's most affluent villages. The villagers collectively own an industrial park in which more than 40 companies are located, in addition to numerous office buildings, shopping centers and hotels. Each villager, as a shareholder, is paid an annual bonus of more than 150,000 yuan.

Similar stories apply to other farming and fishing villages in

Shenzhen, which borders Hong Kong to the south. Their rags-to-riches transformation came after the Chinese mainland announced its reform and opening-up policies in 1978 and designated Shenzhen as the first of its special economic zones, which enjoyed more market-oriented and flexible economic policies to attract foreign investment.

As a front-runner in reform and opening-up, the city used to rely on processing trade mainly for Hong Kong. After enjoying economic growth of nearly 40% a year from the 1980s to the early 1990s, the city gradually turned its focus to developing high value added industries such as information technology, biotechnology, new materials and high-end equipment manufacturing, largely due to limited land resources and rising labor costs. Now it has become a magnet for technology startups and the headquarters of big high-tech companies such as Huawei Technologies Co. Ltd., Tencent Holdings Ltd. and one of the world's largest drone makers, DJI.

Shenzhen's total GDP from 2012 to 2017

(unit: trillion yuan)

2012	1.33
2013	1.50
2014	1.64
2015	1.80
2016	2.01
2017	2.24

Source: Bureau of Statistics of Shenzhen

Top five Chinese cities in terms of GDP in 2017

(unit: trillion yuan)

Shanghai	3.01
Beijing	2.80
Shenzhen	2.24
Guangzhou	2.15
Chongqing	1.95

Source: National Bureau of Statistics of China

CHINA DAILY



An artist using virtual reality technology works on a painting in Shenzhen, which has been a front-runner in reform and opening up. LIANG XU / XINHUA

But how will Shenzhen continue to be the front-runner in the coming decades?

"When other places are competing to become the front-runner you must think outside the box," said Wang Weizhong, Party secretary of Shenzhen.

"We should not just train our focus on the 770 square miles of Shenzhen. We must take a broader view."

To be sure, the local government aims to build Shenzhen into a core engine, in terms of both technology innovation and financial support, driving development of the Guangdong-Hong Kong-Macao Greater Bay Area and, by 2035, into a global technology innovation center.

SEE "CITY" ON P2

Biofuel Paves the Way for Revolution in Energy Use

BY ZHENG XIN

China's efforts to promote the use of biofuel have received a fillip with the announcement of encouraging initial findings of a pilot project involving biodiesel in Shanghai, and from rapid progress in the adoption of bioethanol fuel elsewhere.

In addition, infrastructure worth billions of dollars is being planned or created to support promotion of biofuels.

The developments have significant implications for the country's drive to broaden its energy mix, achieve energy security and cut air pollution, industry insiders said.

A breakthrough-like sign is that China Petroleum & Chemical Corp., the country's largest oil refiner, said it is ready to step up its involvement in the biofuel market in a big way.

In industry circles this is seen as nothing less than a tectonic shift in strategy. Biofuels, although desirable from an environmental point of view, are more expensive than traditional fuels such as diesel and petrol, hence a sales challenge.

China Petroleum & Chemical Corp., also known as Sinopec, has long been known for its leading role in traditional energy like oil and gas.

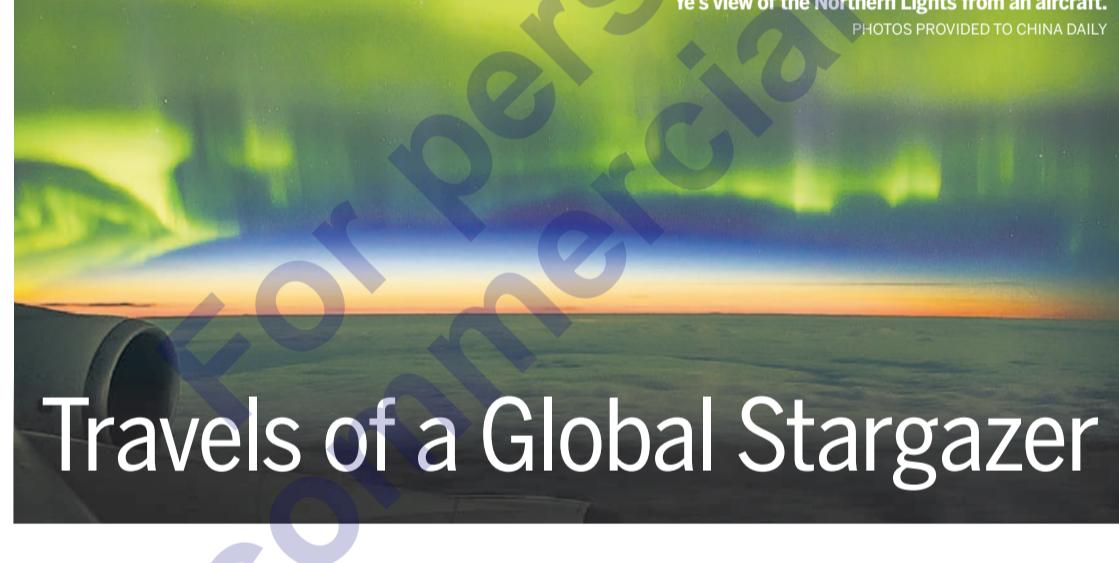
Now, emboldened by the findings of its pilot biodiesel project, it is itching to switch gears and ramp up its biofuel play.

In 2016 the company started fueling vehicles in Shanghai with B5, a biofuel made from recycled cooking oil, commonly known as gutter oil. B5 consists of 5% biodiesel and 95% diesel, so it helps cut carbon emissions.

So far Sinopec's Shanghai pilot project has provided more than 10 million liters of B5 to more than 130,000 vehicles.

More than 2,000 trucks and pickups run on B5 every day in Shanghai. In China B5 has also been used to power aircraft and buses.

SEE "FUEL" ON P3



Travels of a Global Stargazer

Ye Ziyi travels to some of the planet's most remote areas to capture stunning images of the cosmos. **Xing Wen** reports

"Look at the stars, see how they shine for you," Coldplay once sang, describing the ease with which most casual stargazers can enjoy the night sky. However, for Ye Ziyi, 28, of Beijing, it is an altogether more involved process, as she shoulders her heavy photographic equipment and travels around the world to capture beautiful images of the sparkling firmament.

In 2016 she was the winner in the Beauty of the Night Sky category of the International Earth & Sky Photo Contest organized in conjunction with a group called Astronomers Without Borders in Calabasas, California.



These awards allow me to meet foreign photographers and learn from them."

YE ZIYI
PHOTOGRAPHER

Ye said she entered not just for herself but for the other photography enthusiasts in China who devote themselves to the medium.

"There are a lot of outstanding

photographers in China, but the language barriers and sparse opportunities make it harder for them to be seen or heard by the outside world. These awards allow me to meet more foreign photographers and learn from them, as well as acquaint foreign media and audiences with the work that Chinese photographers are producing."

About a year after winning the award, her winning photo, *Luminous Salar de Uyuni*, was selected by NASA as its Astronomy Picture of the Day on April 15, 2017.

SEE "SPACE" ON P4

Crafted Treasures Bond the Old and the Modern

BY CHEN JIE

Taking pride of place in its newly refurbished Sir Joseph Hotung Gallery of China and South Asia, a red lacquer box, designed by the Chinese artist Jiang Qiong'er, is one of the British Museum's latest acquisitions.

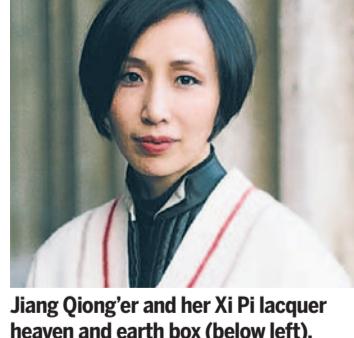
Designed by Jiang and lovingly crafted by Gan Erke, the Xi Pi lacquer heaven and earth lidded box is a masterpiece that combines Chinese traditional artisanship and modern design, perfectly embodying the cultural heritage of Chinese lacquer making, a tradition that has continued for thousands of years.



The box, a little more than a foot in diameter and two inches in height, took 18 months to make, the shape inspired by a traditional Chinese *zan* plate. *Zan* means to gather, and such a place comes with several small plates and forms a round, or flower, shape signifying happiness and completeness.

The body of the box is crafted from black wood and treated using the traditional Chinese lacquer technique, using red spot Xi Pi

lacquer for the surface and refined black polished lacquer for the inside, creating



Jiang Qiong'er and her Xi Pi lacquer heaven and earth box (below left).

PHOTOS PROVIDED TO CHINA DAILY

a rippled pattern that emulates floating clouds or running water; ever-changing, never predictable.

Jiang, 41, is the founder and chief executive of Shang Xia, which is backed by the French luxury company Hermes.

SEE "CRAFTS" ON P4

Evidence for 5,000 Years of History

BY WANG KAIHUA

It is often said that Chinese civilization extends back 5,000 years. Now, after 15 years of intense research as part of a nationwide project to explore the origins of that civilization, archaeologists can back up that statement with solid physical evidence.

The results were disclosed at a news conference at the State Council Information Office on May 28.

The project has provided physical evidence that Chinese civilization exhibited a multifaceted unity, said Guan Qiang, deputy director of the State Administration of Cultural Heritage. "It was inclusive, and its succession has never stopped."



Ceremonial jade cong unearthed at the Liangzhu site in Hangzhou, Zhejiang province. LONG WEI / FOR CHINA DAILY

Previously, some overseas scholars expressed doubts about the length of Chinese civilization due "to a lack of physical evidence."

After several years' preparation, the project was launched by the Ministry of Science and Technology and the heritage administration in 2004.

Nearly 70 research institutions and universities have taken part in the program, which is led by the Chinese Academy of Social Sciences' Institute of Archaeology and Peking University's School of Archaeology and Museology.

More than 900 academic papers have been published on the project, including nearly 400 published in foreign languages or in overseas journals, Guan said.

"We have done large archaeological investigations in several key, capital city-level sites from 5,500 to 3,500 years ago," said Wang Wei, a leader of the program with the Chinese Academy of Social Sciences.

New discoveries kept appearing with the help of new research technologies.

SEE "ARCHAEOLOGY" ON P2

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CHINA DAILY 中国日报

Fancy Teas Charm Young Taste Buds

Additives such as cheese, ice cream and even coffee have turned the traditional beverage into a modern-day money-spinner. **Ren Xiaojin** and **Jing Shuiyu** report

Many Chinese probably assume that their country, with a tea drinking culture that goes back thousands of years, must be home to the world's most prolific tea drinkers.

China does indeed lead the world in the amount of tea drunk, but it does not even figure among the top 20, based on the countries in terms of tea consumed per capita every year, a report by The Daily Telegraph in Britain said last year.

Indeed, cafes are much more prevalent than tea houses in China's first-tier cities. The image of drinking tea from a ceramic cup on a tree-root-carved tea table has even come to be considered an old-fashioned presentation of the time-honored Chinese tea culture.

But that does not mean young people in China have stopped drinking tea. On the contrary, tea-drinking has become big business since last year, attracting passionate investors such as IDG China, but not in the traditional way.

Unlike older people, many of whom enjoy going through eight steps to brew a cup of tea, young Chinese are turning the business into an order-to-go fashion. Tea flavors no longer focus on the original taste of the tea leaves, but come in all kinds of varieties: fruit tea, bubble milk tea, half coffee-half tea, cold tea brewed with coconut water, tea topped with foamed cream cheese and blended with triple chocolate ice cream. You name it, China does it.

According to Euromonitor, an international consultancy, 70.3 million liters of hot tea and 15.2 million liters of cold tea were sold in China in 2016, making China the largest tea market in the world. And it has the potential to continue to grow.

According to Kantar Worldpanel, city residents in China aged 15 to 45 buy 14.3 cups of freshly brewed tea drinks a year with an average price of 15.2 yuan (\$2.40), making it a market worth 97.8 billion yuan.

"Traditional tea cannot satisfy the demand of young Chinese consumers



Customers queue at a Hey Tea shop in People's Square, Shanghai. Hey Tea is a Guangdong company specializing in tea with novelty toppings. WANG GANG / FOR CHINA DAILY

born after the 1980s anymore," said Xu Rongcong, an analyst with China Merchants Securities. "It is the age of creative fusion tea drinks such as cheese tea."

In the first three quarters of last year sales of freshly brewed tea drinks in top-tier cities grew 19% year-on-year, China Merchants Securities says.

One of the phenomenal tea shops Xu investigated is Hey Tea, a company in Guangdong specializing in tea with salty cheese toppings.

A few months after Hey Tea opened a branch in the fashionable Sanlitun area of Beijing last year, it had become the place to be seen, with internet celebrities queuing for hours to get a cup and live-streaming themselves drinking it. It became so popular

97.8

billion yuan

value of tea market in China, according to Kantar Worldpanel

that many people were willing to pay scalpers triple the price for a cup of tea if it meant they could avoid having to wait.

Hey Tea worked with local fashion designers during the Spring Summer Shanghai Fashion Week last year, inviting five Chinese designers to create several different cups.

It attracted 100 million yuan in investment in 2016 and recently announced plans to secure a further 400 million yuan from IDG China.

Hey Tea has opened more than 80 stores around China, mostly in the business areas of first-tier and second-tier cities. After its second round of financing it plans to open 100 more.

Consumers buying new types of tea not only want to quench their thirst, but are also attracted by the social and leisure value behind the beverage, said Zhou Yu, chief analyst of the retail sector at CITIC Securities, in a research note.

The new Chinese tea "coincides with the young consumer group's pursuit of new lifestyles and sense of identity. It's also a fashion label."

One tea shop chain, InWe Cha, secured 500 million yuan in investment from Liu Qiangdong, chairman of JD Group, and another,

Tea of Naixue, secured 100 million yuan investment from Tiantu Capital.

In addition to consuming a broader array of flavors and ingredients than their elders, today's younger tea consumers prefer an order-to-go style, rather than spending hours in a teahouse. And that is good for business, too.

"The current tea business doesn't require a quality space, and it has become consumers' first choice when they go shopping or traveling," Xu said. "One Hey Tea shop can sell more than 2,000 cups a day, with monthly revenue topping 1 million yuan."

The trend of fusion tea has also lured foreign entrepreneurs, who are bringing Western detox tea philosophy to increasingly open-minded Chinese consumers.



The skyline of Shenzhen, Guangdong province, which 40 years ago was just a fishing village. LIU DAEWEI / XINHUA

City: Spirit of Innovation Drives Plans

FROM PAGE 1



It (Shenzhen) is a vibrant city where a single idea can be quickly transformed and where you can just concentrate on technology innovation itself."

SHEN JIANBO
COFOUNDER AND EXECUTIVE DIRECTOR OF SMART DYNAMICS CO. LTD.

The Bay Area is part of the central government's mega plan for coordinated regional development, along with the Beijing-Tianjin-Hebei area and the Yangtze Economic Belt. The Bay Area, consisting of 11 cities and regions with a combined population of 67 million, generated GDP of more than \$1.5 trillion last year, surpassing that of the San Francisco Bay Area and overtaking that of Russia.

In fact, the ambition of Shenzhen also epitomizes the country's emergence from being economically underdeveloped four decades ago into the world's second-largest economy through opening-up. As a beneficiary of opening-up, China is playing an increasingly important role in global governance and is dedicated to building an open world economy and pursuing common development with other countries.

To stand on the technological front line Shenzhen has been ramping up efforts to attract highly skilled professionals from home and abroad and provides financial support for tech startups.

The Peacock Initiative, for example, is a program set up in 2011 to attract high-level professionals to the city. Under this initiative, a maximum of 100 million yuan is provided to each team aiming to make scientific breakthroughs.

This year Shenzhen has vowed to build 10 laboratories led by Nobel Prize-winning scientists to make breakthroughs in areas such as

chemistry, medicine, photovoltaics, graphene, micro-nano, robotics and 5G telecommunication. The city has already attracted Nobel laureates, including Robert Grubbs, Shuji Nakamura and Barry Marshall, who are pioneers in energy, materials, optics and medicine.

"The spirit of innovation is deeply rooted in Shenzhen," said Shen Jianbo, cofounder and executive director of Smart Dynamics Co. Ltd., a startup that specializes in designing and developing service robots.

"It is a vibrant city where a single idea can be quickly transformed and where you can just concentrate on technology innovation itself without worrying too much about other things."

Shen founded the company in Shenzhen in 2015 with a few friends after quitting their decent jobs.

"Besides financial support, the local government offered us, including our families, incentives ranging from housing to medical care. What

else is there to worry about?"

In addition to attracting skilled professionals, the city is also investing heavily in innovation by promoting angel investments.

"An important reason Silicon Valley in the U.S. and Israel became international centers of innovation is that they attracted a lot of angel investment," Party secretary Wang said. "However, Shenzhen lacks angel investment even though there are nearly 50,000 venture capital and private equity companies and institutes here."

To this end this year the city government set up a fund of funds of 5 billion yuan focusing on angel investments. A fund of funds is an investment strategy of holding a portfolio of other investment funds rather than investing directly in individual securities.

"It takes a lot of patience and investment for original innovation," said Wang, who served as vice-minister of science and technology between 2010 and 2014.

"It is not something you can see immediate return with. But you need to have a long-term view and take the first step. The sooner the better."

The affluent Nanling village is eager to jump on the bandwagon of developing high-tech industries.

The village set up a fund of funds of 500 million yuan at the beginning of May from its collective income to invest in strategic and emerging industry startups in areas such as 5G telecommunication, chip design and manufacturing, artificial intelligence and life sciences.

Archaeology: Relics Point to Advanced Jade Making

FROM PAGE 1

The Liangzhu site in Hangzhou, Zhejiang province, dates from 5,300 to 4,500 years ago. Ruins of the city cover more than 740 acres, and the city's walls are about 130-200 feet thick. The discovery was made possible with remote sensing equipment.

Wang estimated that the entire city would have taken 10,000 people a decade or longer to build.

"It hardly would have been possible for a tribe or a league of tribes to mobilize so many people," Wang said. "That indicated a time of early-stage states with wide influence."

Division of labor, hierarchical social classes and inequality in wealth were also observed when studying the Taosi Site (from 4,300 to 4,100 years ago) in Xiangfen county, Shanxi province, and several other key sites of "huge city ruins," he said.

During the time of the Erlitou Site (3,750 to 3,550 years ago), in Luoyang, Henan province, China entered what is often called the age of dynasties, Wang said.

"Erlitou marked the time when the Central China plains began to widely influence the surrounding areas. It created a foundation for a united country with multi-ethnic groups."

Speaking of how to define

civilization, Zhao Hui, a professor at Peking University who is in charge of the project, said traditional criteria in Western academia, which emphasize the appearance of written characters and metallurgy, have not strictly been used in this project.

However, Liangzhu and several other early civilizations in China are known for their highly developed techniques in making jade articles.

"Some characters of human development are common," Zhao said. "The difference also shows there are some unique characters in early Chinese civilization."

Chinese civilization also absorbed influences from other civilizations, he said. Archaeological discoveries show wheat cultivation, breeding of cattle and sheep and bronze-making technology in China originated in Western and Central Asia and were later adopted and acquired local characteristics.

People in South China were the first to begin growing rice about 10,000 years ago and millet in North China about 8,000 years ago, and thus also benefited the rest of the world.

"Through the project we fill a void for a pivotal period in Chinese history," Zhao said. "It's also a big contribution to the world because Chinese civilization is a crucial segment in human history."

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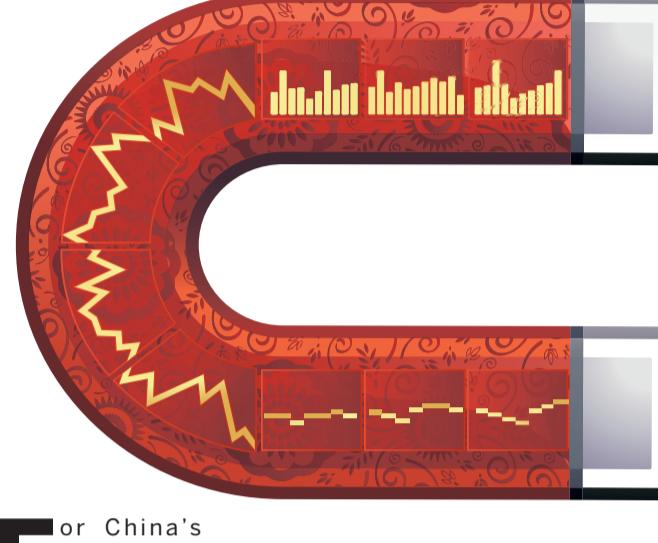
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BUSINESS | 3

The Coming Foreign Investment Bonanza

Stocks and bonds are set to sizzle after being included in a global index and controls are eased on two-way capital flows. **Li Xiang** reports



For China's capital markets, a massive, potentially irreversible game-changer is on the horizon.

The imminent change is expected to open the floodgates for unprecedented levels of foreign investment.

"China is now too important a market to ignore because investors can find the kind of growth opportunities here that are rarely available in other parts of the world," said Jeff Li, a London-based global equity fund manager at EFG Asset Management.

The scenario Li foresees is a far cry from the recent past.

For long, global investors' abysmally low exposure to China's capital markets has been disproportionate to the country's 16% share of the world gross domestic product (\$87.5 trillion last year, according to the International Monetary Fund) and the 106 trillion yuan (\$16.5 trillion) valuation of its equity and bond markets.

For years foreign ownership of China's A shares, or renminbi-denominated equities traded on the stock exchanges in the Chinese mainland, has been static, about 2% or less.

This even though China's stock market, whose capital value is more than \$8.5 trillion, is the world's second-largest.

All these years foreign participation was also minimal in the Chinese bond market, the world's third-largest, valued at \$8 trillion in April.

Unlike economic sectors such as manufacturing, where foreign investment is pronounced, China's capital markets have been funded almost entirely by domestic money.

That is set to change, and the change is likely to be big and rapid.

Chinese stocks and bonds are

poised to be included in major global indices. And the Chinese regulators intend to further open up the markets by loosening controls on two-way capital flows.

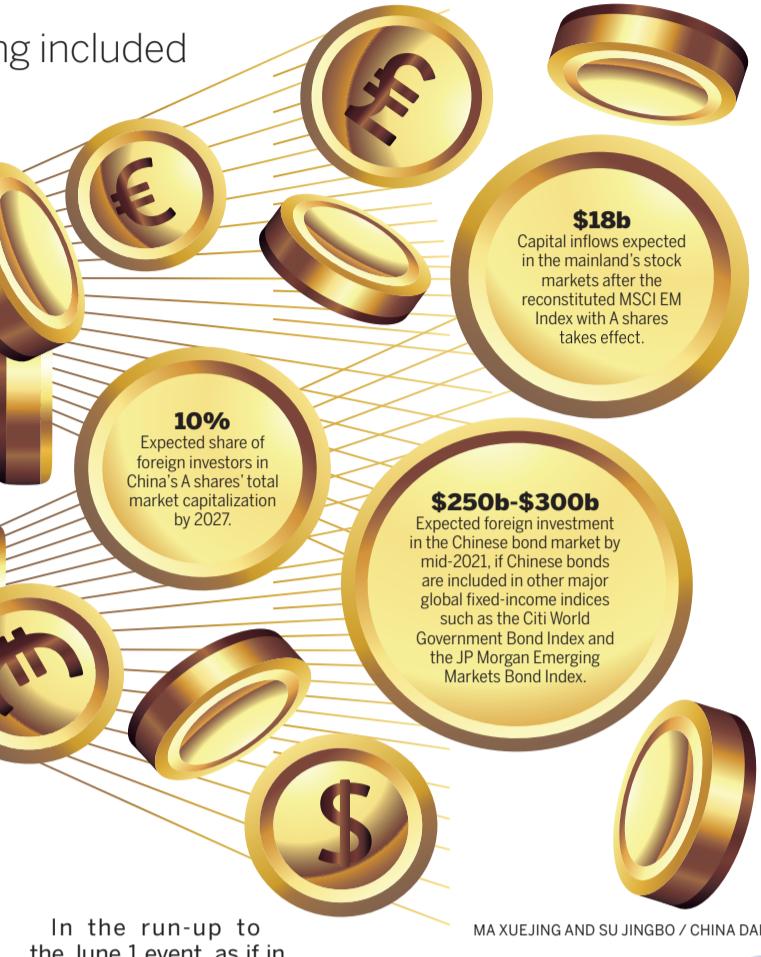
After three failed attempts, A-shares were finally included in the MSCI Emerging Markets Index on June 1. The index, tracked by more than \$1.9 trillion assets at the end of last year, is one of the benchmark indices followed by global fund managers who wish to have an exposure to equities of emerging markets.

At first more than 200 large-cap A-share stocks were added to the MSCI EM Index. The inclusion will be further expanded in August, making China's A shares account for about 0.81% of the overall index.

Even with the small initial representation, the A shares' inclusion is a milestone event that heralds further integration of China into global financial markets, said Alain Bokobza, head of global asset allocation and equity strategy at the French bank Societe Generale.

If observers think there is nothing in the MSCI move to be excited about given the A shares' initial small weighting, they could be missing the real point, he said. While the index's revamp itself may turn out to be "a storm in a teacup," Chinese shares' tradability and liquidity are growing fast. This offers a chance for money managers to get bigger exposure to the Chinese economy, Bokobza said.

The inclusion is expected to immediately trigger an inflow of about \$18 billion into the Chinese mainland equity market. Some predicted that the inflows will increase sharply over the next five to 10 years.



\$18b
Capital inflows expected in the mainland's stock markets after the reconstituted MSCI EM Index with A shares takes effect.

\$250b-\$300b
Expected foreign investment in the Chinese bond market by mid-2021, if Chinese bonds are included in other major global fixed-income indices such as the Citi World Government Bond Index and the JP Morgan Emerging Markets Bond Index.

\$8.5 trillion
China's stock market capital value

In the run-up to the June 1 event, as if in anticipation of the capital deluge, overseas asset managers rolled up their sleeves to build positions in the A-share market.

As at the end of March they held A shares worth about 1.2 trillion yuan, or 3.6 times the value of their holding in March 2014, according to Chinese central bank figures. The proportion of foreign ownership in the mainland stock market has risen to 2.5% from 1.6% in March 2014.

The investment bank China International Capital Corporation expects that foreign ownership of A shares could increase to 10% of the total market capitalization by 2027.

Similarly, the renminbi-denominated bonds issued by the Chinese government and State-owned policy banks were also recently included in the Bloomberg Barclays Global Aggregate Index, the most widely used fixed-income index, which consists of more than 9,000 bonds worth \$20 trillion.

Morgan Stanley economists estimated that if Chinese bonds are included in other major global fixed-income indices such as the Citi World Government Bond Index and the JP Morgan Emerging Markets Bond Index in the next two to three years, it could bring \$250 billion to \$300 billion into the Chinese bond market.

The rising presence of Chinese securities in global markets

MA XUEJING AND SU JINGBO / CHINA DAILY

underscored the growing interest of international investors who are eager to tap into the growth opportunities in China and are encouraged by the improved transparency, liquidity and accessibility of the Chinese markets, market insiders said.

"It's increasingly a consensus that a group of domestically listed Chinese companies will emerge as global leading franchises in their respective industries," said Li of EFG Asset Management. "However, these investment opportunities were previously not available to overseas investors at all."

Li manages a global equity fund and a U.S. equity fund whose total assets are valued at more than \$1 billion.

"In the long term, more Chinese companies will be included in global investment benchmarks such as MSCI indices, which will further drive the need for global investors to allocate more capital to the Chinese equity market," he said.

Chinese policy makers and financial regulators are pushing to further liberalize the onshore markets.

The Chinese central bank has boosted the daily trading quota by four times under the Stock Connect programs between Hong Kong and the mainland stock exchanges in Shanghai and Shenzhen.

China and Britain are also preparing to launch a trading link between Shanghai and London this year, which will allow investors in each country to trade shares listed on the other's stock exchange.

Simpler Procedure for Foreign Investors

BY HU YONGQI

China will simplify business registration procedures for foreign investors in an effort to spur overseas investment and create a more open business environment in the country, officials said on May 22.

The measures, which will come into effect on June 30, include the single window policy that will help streamline business registration, reduce paperwork and eliminate the need to deal with multiple departments and offices, Vice-Minister of Commerce Wang Shouwen told a policy briefing hosted by the State Council Information Office.

It will also streamline the procedure of getting clearances from the departments of commerce and market regulation for on-site registrations and help save time and costs for about 30,000 new foreign investors every year.

The new steps will also lower the threshold for foreign companies and make it easier for them to pursue opportunities in the Chinese market, Wang said.

According to a recent report, foreign direct investment fell 16% globally last year despite recovering demand and cross-border investment. Developed economies continued efforts to attract back mid and high-end manufacturing by cutting taxes, and developing economies encouraged foreign firms into their markets, leading to fierce competition for foreign capital, Wang said.

Last year FDI into China rose 4% in U.S. dollar terms, Wang said. China is facing increasing pressure in terms of new FDI, as it only rose 2% in April in U.S. dollar terms, he said.

Wang said, "The 19th National Congress of the Communist Party of China emphasized the transformation from high-speed growth to high-quality growth, and we attach more importance to equal competition and improvement in the business environment. This was followed by the single window procedure to deepen administrative reforms in foreign-invested businesses."

China has been committed to improving the business environment. Negative lists were introduced in 2015 for foreign companies in four pilot free trade zones in Shanghai, Guangdong province, Tianjin and Fujian province.

Last year the State Council decided to integrate five certificates into one business license, which further eased the procedures for setting up new businesses in the country.

Fuel: Tougher Rules to Apply

FROM PAGE 1



Biodiesel has received positive responses from drivers. They said there is no difference in their vehicle's performance after they started using biodiesel."

XU KUNLIN
VICE-MAYOR OF SHANGHAI

pumps are likely to be built to facilitate use of biofuel in the future, Sinopec said. But such investments would depend on whether or not the Shanghai B5 pilot project is considered a total success.

Yet, to further promote use of biodiesel, the Shanghai municipal government will increase the number of biodiesel fueling stations from the current 21 to 200 by the end of this year.

This would mean Sinopec will have to use all of the gutter oil produced in Shanghai as raw material to manufacture biodiesel.

Analysts said if the B5 pilot project is an unqualified success it would help further promote the application of biodiesel, an alternative energy that might significantly influence the country's energy security.

For years the authorities have

focused on converting waste oil into cooking oil-derived biofuel, to further cut carbon dioxide emissions while clamping down on illegal trade in gutter oil.

China's push to promote biofuel as an alternative fuel is tempting companies from various industries to vie for a larger share of the world's fastest-growing new energy vehicle market.

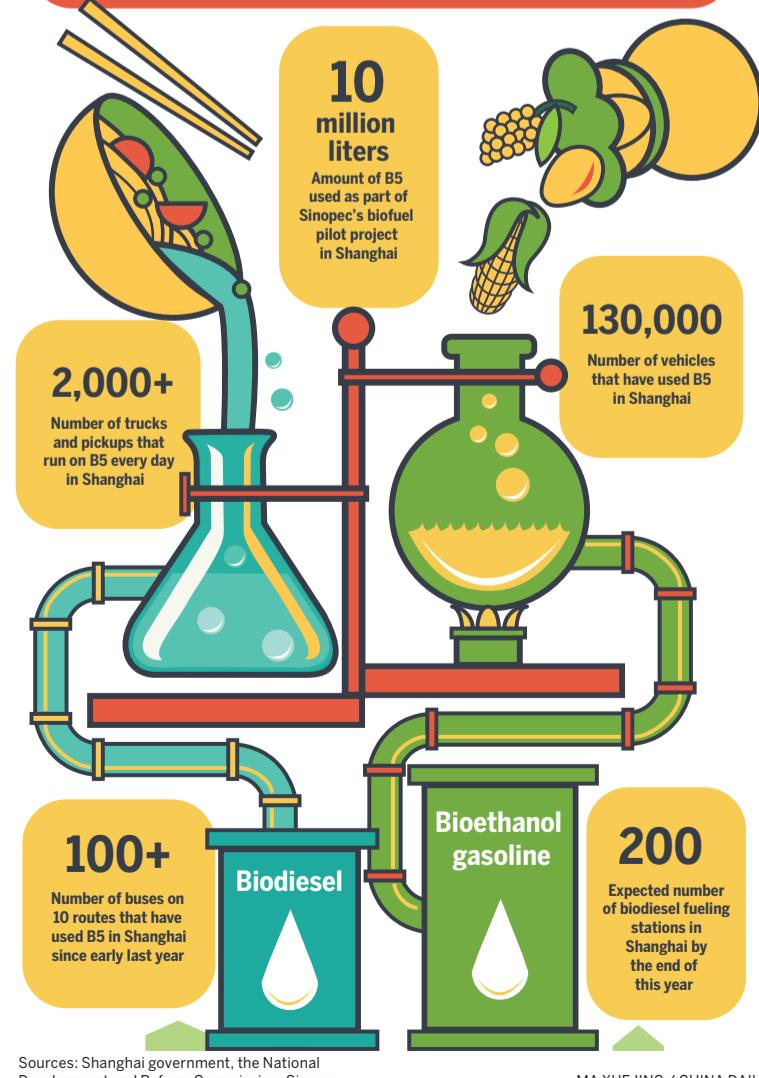
Shanghai Zhongqi Environment Technology Co., one of Shanghai's two licensed gutter oil processors, partnered with the Swedish furniture and homeware company Ikea and Shanghai Bus Logistics Ltd. for a biodiesel project.

Since the end of 2016 more than 100 of Ikea's trucks have been running on fuel composed of biodiesel derived from cooking oil. The amount of gutter oil in the fuel varies from 5% to 10%.

Although China boasts rich reserves of coal, the country is short of oil. So the development of biofuel is expected not only to further diversify the energy mix but also curb pollution, said Lyu Bo, head of the National Biodiesel Industry Innovation Strategic Alliance.

Companies should be encouraged to set up more biofuel pilot projects. The government could also consider promoting bioethanol and come up with compulsory biodiesel use policies or subsidies for companies to further enhance its use, he said.

The Shanghai Pilot in Numbers



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4 | CULTURE

Crafts: Old Trinkets Get a Modern Makeover

FROM PAGE 1

The core philosophy of Shang Xia's style is lightness, purity, simplicity, comfort and emotional touch.

"I feel honored that a Shang Xia work has become part of the permanent collection of the British Museum," the Shanghai-born artist said.

"It represents not only the recognition and support of the world's top art hall of Chinese contemporary design and craftsmanship but is also motivation for the cause we are following. I want to start from the original source of living art to seek the true meaning of craftsmanship in contemporary life."

This is not the first time that one of the world's top museums has acquired one of Shang Xia's designs. In 2014 Christie's Auction House held a special sale of 20 Shang Xia limited edition treasures, noting that the pieces resonated with modernity, a sense of design, craftsmanship and rare raw materials.

It was the first time an auction had been held for Chinese artworks with such contemporary design, and all 20 pieces were sold, with some fetching a handsome return.

Later, one of the museums with the most renowned Asian collections in Europe, Musee Guimet, bought three Shang Xia pieces including a "bamboo living space."

I want to ... seek the true meaning of craftsmanship in contemporary life."

JIANG QIONG'ER
ARTIST AND DESIGNER

Whenever Jiang creates something she always asks three questions, she said. First, how it can be made to be useful.

Some of the country's traditional know-how has become solely for decoration, but with no function, she said. For example, when she met artisans doing bamboo weaving in Sichuan province, they were making an elephant for an entry into the Guinness World Records.

"It's amazing, but it's not going to be used in your daily life."

Her team worked with the same Sichuan artisans to weave a cover for a white porcelain tea set. The thin bamboo strips are softly woven following the shape of the tea ware, seamlessly melding one material into the other. In terms of functionality, the design has enhanced the safety of serving hot tea, but when people hold the cup, they will feel the handmade craftsmanship.

Her second question is how what she is creating can be modernized.

An example is Shang Xia's carbon fiber chairs, for which Jiang drew inspiration from Ming-style chairs, but created them using the ultramodern material to make the light and thin frame.

Her third question is how she can give the object an emotional value.

Shang Xia's "sculptured cloth" takes its inspiration from the herdsman of Inner Mongolia who make their rugs, yurts, clothing and cooking utensils with felt. The handmade clothing is passed from one generation to the next, and with it the family story and all of the emotion that evokes. Most felt is made from wool, which may be too heavy and uncomfortable for most urban applications, but Jiang and her team adapted the material from cashmere, to make a lighter, more luxurious-but equally functional cashmere felt.



The annual Looking China Youth Film Project has invited filmmakers from around the world to create short documentaries about Chinese culture. **Fang Aiqing** reports

A group of young foreign filmmakers is taking an in-depth look at China through camera lenses. Among them is Christian Grobbelaar, a young director from South Africa whose short documentary *Watch People* unveils a remarkable tale of craftsmanship and redemption.

By repairing watches, Li Xin not only managed to fix the problems that lie behind the face of a wristwatch, but has also fixed many of the problems in his own life.

With an array of delicate tools laid out on a blank sheet of paper on his table, the watch repairman, 25, begins to demonstrate the process of disassembly, cleaning, oiling and reassembly — something few can do now — while telling the story of the many twists and turns in his life.

After experiencing his parents' divorce, the once well-behaved student fell into bad company and rebelliously turned to a life of drinking and fighting.

During one particularly fierce fight 10 years ago, Li was stabbed twice. One blow pierced his lung and the other permanently damaged his central nervous system. As a result he has been condemned to having to use crutches for the rest of his life.

Idling at home for several years, his life seemed doomed until he found a job at the time-honored Sheng Chang Watch Shop in Xiamen, Fujian province, where traditional watch repair skills are passed on to the disabled.

"When it comes to fixing a watch, you face a variety of problems," Li said. "The hardest are those you cannot see directly because they are hidden deep within the watch. But we always find a way to fix them."

Grobbelaar's short documentary applies montage techniques and uses puns in both the title of the work and throughout the story.

The film was awarded first prize and recognized as best artistic presentation at the fourth Golden Lenses awards held by Beijing Normal University recently.

The award aims to give recognition to excellent works from the university's Looking China Youth Film Project, which annually invites young filmmakers to China to experience Chinese culture and, with one-on-one help from a Chinese volunteer, create a 10-minute short documentary about Chinese culture.

Since its launch in 2011, 405 young filmmakers from 49 countries and regions including Britain, Canada, France, Israel and the United States have taken part in the project.

By last year they had produced 404 short documentaries based on their visits to more than 20 provinces of China and had garnered more than 90 awards in China and



From top: Christian Grobbelaar photographs traditional root carving works in Wulong county, Chongqing, during the 2018 Looking China Project.

Akos K. Kovacs photographs the process of erhu making in Shanghai.

Another contestant, Adele Lengyel, photographs steamed-bun making.

PHOTOS PROVIDED TO CHINA DAILY

abroad, said Huang Huilin, a Beijing Normal University professor who founded the Looking China Project and is director of the Academy for International Communication of Chinese Culture.

Last year the subject of the Looking China Project was craftsmanship. Participants were asked to shoot documentaries that demonstrated their understanding of Chinese craftsmanship, and to highlight the cultural inheritance and innovation imbued in it.

The Sheng Chang Watch Shop was founded in 1928 and Li's boss, Zhang Xiangjie, 45, is the third-generation owner.

Zhang's innovative approach to combining business with the public interest has been widely reported in the media, and his desire to pass on his skills to disadvantaged groups rather than keep them in the family.

Several works in last year's Looking China Project focused on the types of traditional Chinese craftsmanship that are so familiar that many people take them for granted, while some others looked at the craft traditions that are rapidly vanishing.

By telling these stories from the perspective of a young foreign filmmaker, these documentaries are helping to connect Chinese artisans with more universal themes.

One example is the short documentary *The Bridge Between Us* by Akos K. Kovacs

of Serbia. The film examines the father-son relationship bridged by the traditional Chinese musical instrument the *erhu* as its techniques are passed down through the generations.

Immersed in a solo piece of music, the son breaks into a spontaneous smile as he expresses his feelings while playing the *erhu*.

Yet there was a time in the young man's childhood when he found learning the *erhu* to be an unbearable tortuous experience.

To escape the laborious process the son used to record himself playing *erhu* and often played back the recordings to pretend he was practicing for hours on end.

The father, who had been working in an *erhu* factory for 37 years, hoped his son would follow in his footsteps and was unimpressed by his son's reluctance to practice.

But it was only after becoming an *erhu* teacher himself that the son finally realized the importance of cultivating a child's persistence.

"Without my father, I wouldn't be the man I am today," he said at the end of the documentary.

Among the other works, there is a documentary about the revival of traditional carpentry in modern woodwork presented in an accessible format, a warm story about a family that has been making spices for generations and a film covering the extraordinary life of Lan Tianye, 91, an actor with the Beijing People's Art Theater.

Space: Star Shines in Picture Contest

FROM PAGE 1

The picture depicts bright stars in the constellation of Orion the Hunter, and Aldebaran, eye of Taurus the Bull, hanging in the night sky over Bolivia. Below, the faintly luminous edges of patterns in the mineral-crusted mud of the Uyuni Salt Flat in southwestern Bolivia can be traced to the horizon.

"My efforts received the recognition they deserved and I am so happy about that," she said.

"A dream of mine came true."

Her love of the stars, auroras and solar eclipses all began at her high school astronomy club.

When she was 15 her geography teacher gave her the opportunity to view the night sky, studded with billions of stars, using a telescope.

She was understandably awestruck. "It was incredibly wonderful, and as time went by I got to know stars better. My curiosity about the sky and stars has spurred me to travel huge distances, with or without companions."

Since 2009, in order to shoot a total solar eclipse, she has made five separate trips to Shanghai, Kenya, the Arctic Ocean, Indonesia and the United States.

A total solar eclipse can last for several hours, and totality can range from just a few seconds to 7.5 minutes. Recording a total solar eclipse requires not only the photographer's patience but also a bit of luck.

"The first two trips were fruitless because of unfavorable weather on the day of the eclipse."

It took packing nearly her own body weight in equipment, several ferries, trains and aircraft and a five-hour wait in freezing weather on the snow-covered Svalbard archipelago in the Arctic Ocean in March 2015 before she successfully witnessed a total solar eclipse.

"What I had imagined about the eclipse could not rival what I saw with my own eyes. I want to show people the beauty and power of nature through my photos."

A philosophy that would explain why she resigned from her job with an advertising agency to become a full-time star-chaser.

Since substituting the rat race for the space chase Ye has spent half of her time on the road, camping on uninhabited mountains and in remote valleys, waiting for the perfect moment to open the lens.

As her stature in night-sky photography circles has grown, so has the weight of her fridge door. She has developed a habit of buying a local fridge magnet every time she arrives in a new place and, now, dozens of them — some in the shape of African sculptures and others that are simply the name of their origin — litter the front of the fridge in her living room, which has become an evolving atlas of her celestial pursuit as she crisscrosses the globe.

"Chasing stars sounds romantic, but it's really not. You will have probably slept in a field full of cow dung and all the while been subject of the various creatures' curiosity."



Ye's Luminous Salar de Uyuni, chosen by NASA as Astronomy Picture of the Day on April 15, 2017. PROVIDED TO CHINA DAILY

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables
 The following explanations apply to NYSE, Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.
 The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, June 14, 2018

Stock	Sym	Close	Net Chg	Net		Stock	Sym	Close	Net Chg	Net		Stock	Sym	Close	Net Chg	Net		Stock	Sym	Close	Net Chg						
				A	B					C	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg	Stock	Sym	Close	Chg					
ABB	ABB	23.47	.23			Autohome	ATHM	117.12	1.93	CanyonGrowth CG	299.49	-1.25	DiscoveryC DISCK	24.15	1.01	Grainger GRW	317.39	1.69	LPL Financial LPLA	70.04	-0.45	Nordson NDSN	129.54	0.47	RoyalGrid RLGL	41.65	.05
ADT	ADT	8.09	.04			Autoliv	ALV	159.12	1.09	CapitolOne COF	96.28	+0.07	Disney DIS	108.75	2.44	Grifols GRSF	23.72	-0.39	L3 Tech LLL	197.76	-2.65	Nordstrom JWN	49.87	-1.62	Ryanair RYAN	181.00	-0.39
AES	AES	13.18	.05			AutoZone	AZO	179.82	0.52	CardinalHealth CAH	54.62	.42	DocuSign DOCU	63.53	-0.24	GrubHub GRUB	119.86	3.88	LabCorp LabCpAm	187.88	0.13	NorfolkSouthern NSC	153.47	-0.70	SAP SAP	121.38	0.88
Aflac	AFL	45.68	...			Awayday	AVB	168.18	1.62	Carlyle CG	22.80	.20	DollarGeneral DG	96.33	-0.40	GpoAvvalAcc AVAL	8.49	-0.10	LamarAdm LMR	71.12	0.27	NorthernTrust NTRS	106.95	0.66	S&P Global SPGI	207.29	-0.06
AGNC Inv	AGNC	19.00	.22			Awayden	AVV	106.27	-0.29	CarMax KMZ	77.03	-0.72	DominionEner D	65.52	1.21	Guidewire GWRE	92.29	0.06	LambWeston LW	65.85	0.51	SBA Comm SBCM	157.00	0.63	SEI Investments SEIC	65.71	0.18
ANGI HomeSvcs	ANGI	15.88	.08			AxaltaCoating	AXTA	31.20	0.03	CGI	64.50	.45	Domino's DPZ	273.65	0.62	HCA Healthcare HCA	106.01	0.33	Novartis NVS	75.98	0.19	TripAdvisor TRIP	57.73	1.10	Sina SIN	96.26	1.62
Ansys	ANS	176.92	1.13			AxaltaCoating	AXTA	52.44	-1.35	Caterpillar CAT	153.14	-0.52	DouglasEmmett DE	47.98	0.05	Donaldson DCI	47.98	0.05	HCP HCP	23.87	0.35	Nucom NUE	68.53	1.76	Sina SIN	96.26	1.62
ASML	ASML	215.89	2.14			AvalonBay	AVB	168.18	1.62	Carlisle CSL	107.40	0.20	Dovey DOV	76.60	-1.73	DowDuPont DWDP	68.38	-0.19	DowDuPont DWDP	23.80	0.26	Nutanix NTNX	62.58	-0.92	Sina SIN	96.26	1.62
AT&T	T	32.52	.30			Awayday	AVV	106.27	-0.29	CarMax KMZ	77.03	-0.72	DowDuPont DWDP	68.38	-0.19	DowDuPont DWDP	23.80	0.26	Oracle Corp ORCL	45.99	-0.27	Sina SIN	96.26	1.62			
AbbottLabs	ABT	62.96	0.33			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	DrexelSnaps DPS	120.63	0.14	DrexelSnaps DPS	120.63	0.14	Ovintiv OVN	44.65	0.15	Sina SIN	96.26	1.62			
AbbVie	ABBV	98.75	1.17			Awayday	AVV	106.27	-0.29	CarMax KMZ	77.03	-0.72	Dropbox DRX	36.12	4.45	DynCorp HUYA	44.04	5.10	Sabre Sabre	26.41	-0.05	Sina SIN	96.26	1.62			
Abiomed	ABMD	440.65	7.58			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	DukeEnergy DUK	73.46	1.21	Ergo Energy OGE	34.55	0.56	Salesforce.com CRM	138.41	1.91	Sina SIN	96.26	1.62			
Accenture	ACN	162.76	-0.26			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	DukeRealty DRE	28.55	0.40	Fidelity FDO	63.53	-0.24	Sanofi SNY	38.98	0.38	Sina SIN	96.26	1.62			
ActivationBliz	ATVI	77.71	1.04			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EastWest Bancorp EWBC	70.18	-0.10	Fidelity FDO	63.53	-0.24	SantanderCntrs SAN	69.34	0.47	Sina SIN	96.26	1.62			
AdobeSystems	ADBE	258.10	1.97			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EATONRVN EATN	79.28	-0.77	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AdvanMicroDevices	AMD	16.25	-0.07			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EatonVanEco EV	66.01	-0.06	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
Aegon	AEG	6.30	-0.11			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	Ebay EBAY	39.00	-0.33	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AerCap	AER	54.55	-0.14			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	Ebay EBAY	39.00	-0.33	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
Aetna	AET	188.09	0.67			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AffiliatedMgrs	AMGN	155.51	-0.49			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AgilentTechs	A	66.31	0.05			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AgnicoEagle	AGM	46.60	0.87			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AirProducts	APD	165.72	-0.37			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
AkamaiTech	AKAM	80.74	-0.07			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
Albomed	ABMD	440.65	7.58			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
Albemarle	ALB	93.66	-0.19			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26	1.62			
Alcoa	AA	47.44	-0.51			Awayday	AVV	106.27	-0.29	Carnival CCL	64.20	0.37	EdwardsLife Sciences ELX	102.00	-0.29	Fidelity FDO	63.53	-0.24	SapientCorp SPC	24.57	-0.25	Sina SIN	96.26</td				

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	Contract Open	High	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.						
June	3.2245	3.2250	3.2105	3.2165	-0.0315	891
July	3.2560	3.2560	3.1865	3.2220	-0.0320	102,966
Gold (CMX) -100 troy oz.; \$ per troy oz.						
June	1297.20	1307.70	1297.20	1304.00	7.10	588
Aug	1303.10	1313.00	1301.00	1308.30	7.00	325,079
Oct	1309.00	1318.90	1307.30	1314.40	7.00	11,975
Dec	1315.70	1325.40	1313.70	1320.80	7.00	85,923
Feb'19	1320.50	1330.40	1320.30	1327.30	7.00	14,242
Dec	---	---	1360.60	7.10	4,240	
Palladium (NYM) -50 troy oz.; \$ per troy oz.						
Sept	1005.70	1012.00	996.00	1006.60	-0.60	23,639
Dec	1004.00	1007.00	995.00	1001.90	-0.90	667
Platinum (NYM) -50 troy oz.; \$ per troy oz.						
July	904.50	914.80	899.20	910.90	8.40	63,219
Oct	909.50	918.90	904.00	915.20	8.00	22,948
Silver (CMX) -5,000 troy oz.; \$ per troy oz.						
June	17.120	17.285	17.115	17.226	0.273	8
July	17.075	17.350	16.965	17.262	0.271	123,588
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.						
July	66.61	67.16	66.36	66.89	0.25	199,816
Aug	66.49	67.03	66.18	66.69	0.17	388,996
Sept	66.17	66.69	65.81	66.27	0.05	244,767
Oct	65.84	66.27	65.38	65.79	-0.05	191,127
Dec	65.39	65.86	64.89	65.29	-0.21	287,605
Dec'19	62.34	62.72	61.80	62.03	-0.43	189,336
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.						
July	2.1783	2.1851	2.1533	2.1587	-0.0264	80,910
Aug	2.1812	2.1878	2.1565	2.1618	-0.0257	89,948
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.						
July	2.1180	2.1236	2.0853	2.0910	-0.0342	100,950
Aug	2.1040	2.1100	2.0742	2.0798	-0.0311	102,927
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.						
July	2.956	2.976	2.930	2.965	.002	148,362
Aug	2.942	2.966	2.920	2.958	0.01	176,512
Sept	2.915	2.943	2.895	2.935	.015	161,272
Oct	2.932	2.956	2.908	2.949	.013	167,412
March'19	3.046	3.064	3.026	3.060	.008	115,603
April	2.658	2.671	2.648	2.669	.006	110,337

Cash Prices | WSJ.com/commodities

Thursday, June 14, 2018

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
	(U.S.\$ equivalent)	*\$16,9050	Thursday
Energy		12681	
Propane,tet,Mont Belvieu-g	0.8838	Coin,wholesale \$1,000 face-a	
Butane,normal,Mont Belvieu-g	1.0355	LBMAT Platinum Price PM	*900.0
NaturalGas,HenryHub-i	2.960	Platinum,Engelhard industrial	912.0
NaturalGas,TranscoZone3-i	2.870	Platinum,Engelhard fabricated	1012.0
NaturalGas,TranscoZone6NY-i	2.780	Palladium,Engelhard fabricated	1015.0
NaturalGas,PanhandleEast-i	2.520	Aluminum,LME,\$ per metric ton	1115.0
NaturalGas,Opal-i	2.330	Copper,Comex spot	3.2165
NaturalGas,MarcellusNE PA-i	2.120	Iron,Ore,62% Fe Crf China-s	n.a.
NaturalGas,HaynesvilleLA-i	2.780	Shredded Scrap,US Midwest-s,m	n.a.
Coal,C.Aapl.,12500Btu,1.2S02-r,w	64.150	Steel,HRC USA,FOB Midwest Mill-s	n.a.
Coal,PwdrRvrBsn,8800Btu,0.8S02-r,w	12.400		
Metals		Fibers and Textiles	
Gold, per troy oz	1306.87	Burlap,10-oz,40-inch NY yd-n,w	0.5675
Engelhard industrial	1404.89	Cotton,11/6 std w-mdlMphs-u	0.9241
Handy & Harman base	1302.75	Cotlook A' Index	*101.70
Handy & Harman fabricated	1446.05	Hides,hvy native steers piece fob-u	59.000
LBMA Gold Price AM	*1294.40	Wool,64s,staple,Terr del-u,w	n.a.
LBMA Gold Price PM	*126.15		
Krugerrand,wholesale-e	1357.10		
Maple Leaf-e	1370.15	Grains and Feeds	
American Eagle-e	1370.15	Barley,top-quality Mnpls-u	n.a.
Mexican peso-e	1581.32	Bran,wheat middlings,Ck-u	77
Austria crown-e	1282.06	Corn,No.2 yellow,Cent Ll-bpu	3.3000
Austria phil-e	1370.15	Corn gluten feed,Midwest-u,w	124.2
Silver, troy oz.	17.1800	Corn gluten meal,Midwest-u,w	463.5
Engelhard industrial	20.6160	Cottonseed meal,u,w	260
Engelhard fabricated	17.2250	Hominy feed,Cent IL-u	102
Handy & Harman base	21.5310	Meat-bonemeal,50% pro Mnpls-u,w	2.7750
Handy & Harman fabricated	*17.0800	Oats,No.2 milling,Mnpls-u	25.75
LBMA spot price	*12.6800	Rice,Long Grain Milled, No. 2 AR-u,w	7.5300

KEY TO CODES: A=ask; B=bid; BP=country elevator bids to producers; C=corrected; E=Manfra,Tordella & Brooks; G=ICE; H=Hurley Brokerage; I=Natural Gas Intelligence; M=monthly; N=nominal; n.a.=not quoted or not available; R=SNI Energy; S=Platts-TS; T=Cotlook Limited; U=USA; W=weekly; Z=not quoted. *Data as of 6/13. Source: WSJ Market Data Group

Exchange-Traded Portfolios | WSJ.com/ETFresearch

Largest 100 exchange-traded funds, latest session						
Thursday, June 14, 2018		Closing		Chg YTD (%) (%)		
ETF	Symbol	Price	Chg	YTD (%)	YTD (%)	YTD (%)
AlerianMLPETF	AMLP	10.46	-0.48	-3.1		
CnsmDiscSelSector	XLY	112.22	1.04	13.7		
CnsmStapleSelSector	XLP	51.28	0.18	-9.9		
EnSelectSectorSPDR	XLE	76.31	-0.14	5.6		
FinSelSectorSPDR	XLF	27.59	-0.93	-11		
FT DJ Internet	FDN	142.80	1.46	30.0		
HealthCareSelSel	XLV	85.61	0.52	3.5		
IndSelSectorSPDR	XLI	75.61	-0.38	-0.1		
InvsCQOQI	QQQ	177.60	1.01	14.0		
InvsCS&P500EW	RSP	104.29	0.29	3.2		
InvsCSLoan	BKLN	23.0601			
Ish1-3Y TreasuryBD	CSJ	103.58	0.05	-0.9		
Ish3-7Y TreasuryBD	IEI	119.44	0.13	-2.2		
IshCoreMSCIAFE	IEFA	66.48	-0.23	0.6		
IshCoreMSCImrgM	IEMG	55.33	-0.66	-2.8		
IshCoreMSCIToth	IXUS	62.94	-0.33	-0.2		
IshCoreS&P500	IVV	280.71	0.28	4.4		
IshCoreS&P500	IHH	199.90	0.24	5.3		
IshCoreS&P500	IRU	85.52	0.34	11.3		
IshS&P500TtUSStMkt	ITOT	64.25	0.34	5.1		
IshCoreUSAvgBd	AGG	105.84	0.26	-3.2		
IS SelectDividend	DYV	98.48	0.23	-0.1		
IshEdgeMSCIMineAFE	EFAV	73.70	-0.36	1.0		
IshEdgeMSCIMineAFE	ESUM	53.69	0.37	1.7		
IshEdgeMSCISUAM	MTRN	114.35	0.42	10.9		
IshFloatingRateBD	FLDT	50.94	0.02	0.2		
IshGoldDr	IAU	12.50	0.24	-0.1		

BUSINESS & FINANCE

Cryptocurrency Catches a Break

SEC official says ether isn't a security and doesn't need to be regulated like one

BY DAVE MICHAELS

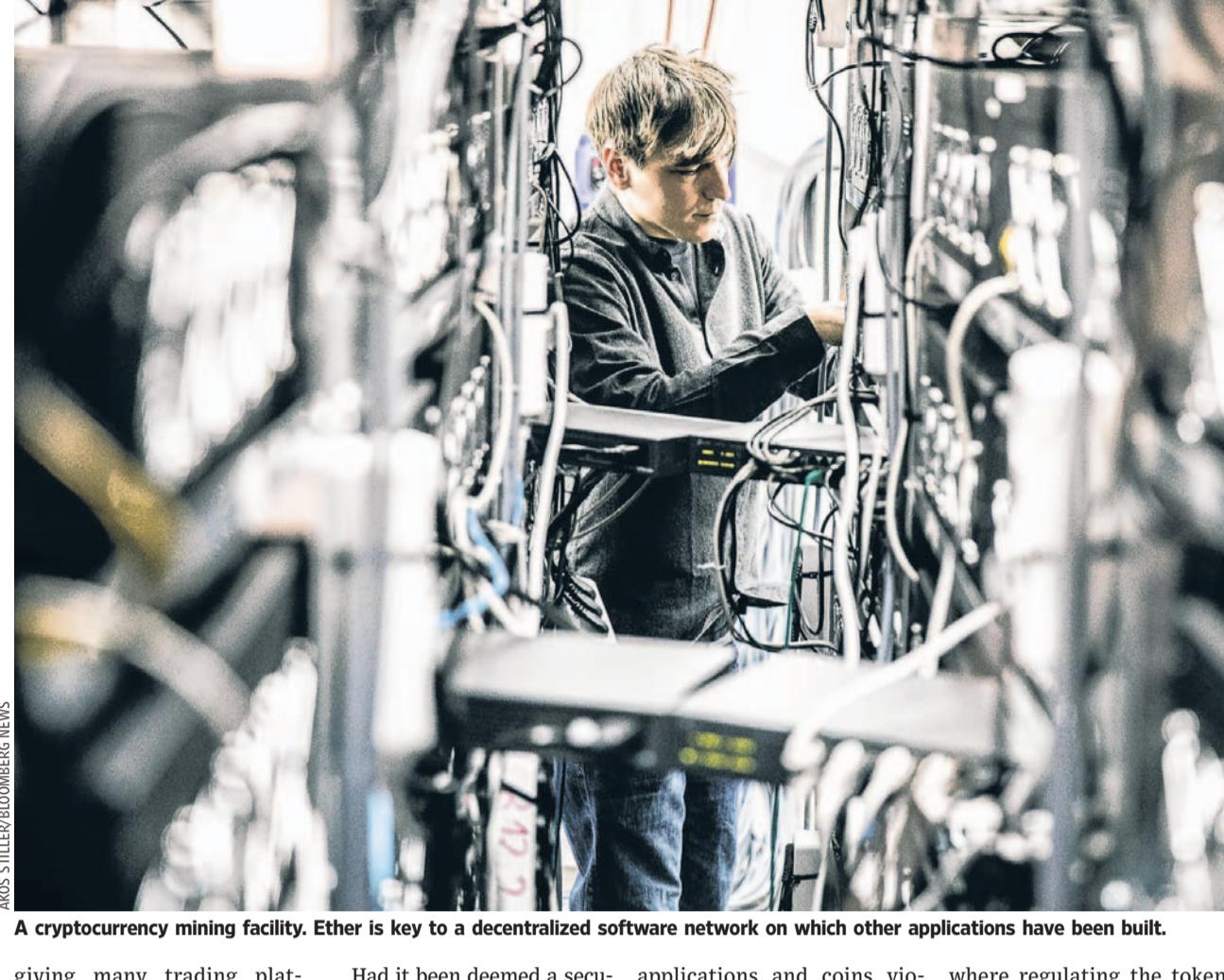
The world's second-most-valuable cryptocurrency isn't an investment that should be regulated as stocks and bonds are, a senior U.S. regulator said Thursday.

The remarks, made by a top Securities and Exchange Commission official, indicate ether is clear from SEC oversight that could have imposed significant regulatory scrutiny on the foundation and programmers involved with creating it in 2014. Ether is a cryptocurrency, on par with bitcoin, that isn't subject to the extensive investor-protection rules the securities regulator enforces, SEC Corporation Finance Director William Hinman said.

"Based on my understanding of the present state of ether, the Ethereum network and its decentralized structure, current offers and sales of ether are not securities transactions," Mr. Hinman said in remarks prepared for a San Francisco conference.

The SEC and other regulators had been examining whether ether's founders are so central to its creation and value that the asset should be considered a security, akin to stocks, The Wall Street Journal reported in May. Gary Gensler, an influential former regulator who led the Commodity Futures Trading Commission under the Obama administration, had said there was a "strong case" that ether was among a group of "noncompliant securities."

Mr. Hinman's remarks effectively remove that cloud,



A cryptocurrency mining facility. Ether is key to a decentralized software network on which other applications have been built.

giving many trading platforms and investors certainty that they aren't breaking the law by holding or trading it. The price of ether rose from about \$469 just before the SEC posted the speech on its website to \$517 in the late afternoon, according to data from coinmarketcap.com.

Ether plays a central role on a decentralized software network on which other applications have been built. Ether is the fuel of the platform, used to reward computers that execute tasks for the applications.

Had it been deemed a security, the process of moving it between users could have involved much more cumbersome regulation, said Jerry Brito, executive director of Coin Center, a nonprofit that advocates for the cryptocurrency market and lobbies policy makers about it.

Many of the applications built for the Ethereum network have their own digital coins that could be considered securities. The SEC has "dozens of investigations" probing such deals, including whether the firms behind the

applications and coins violated securities laws by raising money from investors without giving them required business disclosures, SEC enforcement co-director Steven Peikin told House lawmakers in May.

Mr. Hinman said it was his view that bitcoin also isn't a security, something that other SEC officials have previously indicated. Mr. Hinman didn't address any other virtual currencies by name.

"Over time, there may be other sufficiently decentralized networks and systems

where regulating the tokens or coins that function on them as securities may not be required," Mr. Hinman said.

Mr. Hinman outlined several factors that would lend credence to the argument that a digital token or coin isn't a security. Those include whether it was bought to use on a decentralized software network and not to score a huge gain from trading on cryptocurrency exchanges, he said.

"This speech is a lot of the clarity that folks have been clamoring for," Mr. Brito said.

Study Fortifies Case for IEX 'Speed Bump'

BY CEZARY PODKUL

A brief delay in stock trading can help protect ordinary investors from high-frequency traders, according to a study by an economist at the Securities and Exchange Commission.

The study, published Wednesday, bolsters the argument for the business model of **IEX Group Inc.**, an upstart exchange that slows down trading with a "speed bump" that pauses inbound orders for 350 microseconds before re-laying them to its exchange for execution. IEX also delays outbound updates to its market data feed.

When it sought SEC approval to become an exchange in 2015, IEX said the delay would prevent rapid-fire traders from racing ahead of typical investors and unfairly profiting off the speed advantage.

That claim was disputed by high-tech market maker **Citadel LLC**, which warned the SEC that allowing speed bumps would "increase transaction costs for all investors." The study found a decrease in trading costs for some stocks.



IEX Group, under CEO Brad Katsuyama, wants to level the playing field with high-speed traders.

In June 2016, the SEC granted IEX's application to become an exchange and since then others have also begun to experiment with trading delays, including the New York Stock Exchange and the Chicago Stock Exchange.

While the study doesn't officially resolve the issue of trading delays—it represents

the view of one agency economist, Edwin Hu, not the SEC itself or its commissioners—its findings could encourage the regulator to approve more alternative exchange models like IEX's speed bump.

Mr. Hu studied the universe of U.S.-listed stocks and compared those that traded most frequently on IEX against

those that had limited executions on the exchange and thus didn't benefit as much from its speed bump. He found a decrease in trading costs for the frequently traded stocks, equivalent to about 20 to 50 cents for every 100 shares traded.

"The evidence seems to be consistent with IEX's speed

bump resulting in improved market quality for some stocks," Mr. Hu said in an interview.

An SEC spokeswoman declined to comment. A spokesman for Citadel didn't immediately respond to a request for comment.

IEX cheered the report's findings.

"This clearly contradicts the 'doom-and-gloom' predictions," said John Ramsay, IEX's chief market policy officer. "It's good to have independent verification of the healthy effect that we have had on the trading system."

Other factors could explain why trading costs declined over the period that Mr. Hu examined, including the fact that stock prices were going up. Stock prices are a part of the ratio for calculating trading costs, and as they rise, that ratio would fall, said Robert Battalio, a finance professor at the University of Notre Dame.

"It's an interesting study, but there are other factors that need to be ruled out," Mr. Battalio said.

—Dave Michaels contributed to this article.

BUSINESS WATCH

ALPHABET

Google Gains Little Ground on Diversity

Google barely raised the number of women and underrepresented minorities among its ranks, while it became less white and more Asian over the past year, according to the search giant's fifth annual diversity report.

Alphabet Inc.'s Google, which employs 85,000 people, bumped the percentage of its female employees up by a tenth of a percentage point to 30.9%.

Despite falling more than 2%, white workers remained the majority at 53.1%, while Asians grew more than a percentage point to 36.3%. Black and Latino workers grew a tenth of a percent to 2.5% and 3.6%.

—Associated Press

BANKING

Fed Limits Exposure Between Big Lenders

A regulator capped the amount of exposure the largest

banks operating in the U.S. can have with each other.

The rule, completed Thursday by the Federal Reserve, would limit the credit exposure that eight "systemically important" U.S. banks have with each other to 15% of high-quality capital, including **JPMorgan Chase & Co.** and **Citigroup Inc.** Under the rule, all banks with \$250 billion or more in total assets will have to cap their credit exposure to any other company to 25% of high-quality capital.

—Lalita Clozel

CREDIT BUREAUS

Equifax Taps Koehler As Technology Chief

Equifax Inc. has recruited an IBM executive to lead its technology efforts as the credit bureau looks to rebound from its massive 2017 data breach.

The company said it named Bryson Koehler as its chief technology officer. Mr. Koehler most recently was CTO of International Business Machines Corp.'s Watson and its cloud platform.

—Waverly Colville

Investors Push Back On Street

Continued from page B1 strom surrounding social-media company **Facebook Inc.**, which has faced criticism for its handling of user data.

"It's a real tug of war," said Philip Brittan, chief executive of startup **Crux Informatics Inc.**, which helps banks organize and potentially sell their internal data. "Banks will say it's our property, and [clients] will say their usage is their property. It's an unsettled topic."

Beginning about two years ago, banks started moving from the old system of emailing PDFs to using new websites using HTML 5—a web coding language that allows for more tracking of user activity—for distribution of research notes.

While banks could track whether emails were opened, they didn't see much else.

With the new technology, they can typically see in real time exactly what pages are being read, for how long, and by which users.

Some clients see these latest efforts as a misuse of their proprietary information.

Capital Group, a Los Angeles firm with about \$1.7 trillion in assets under management, has asked banks and other research providers to archive readership data related to the firm and not use it in any way for a period, according to people familiar with the discussions.

Following these conversations, some banks have agreed to adopt a 90-day embargo for reader-tracking data, the people said. Other firms have gone back to sending research notes as PDF email attachments that can't be tracked as easily as an HTML 5-based website, some of the people said.

Research providers argue that readership tracking is meant to improve the product, allowing them to better target clients' interests and plan their communication with customers. Banks, for example,

might notice that a client hasn't opened a note about a time-sensitive trading opportunity and could follow up with a call before the market opened the next day.

Banks are facing a number of pressures in research. For several years, the decline in assets and revenue of active investment managers, historically research's biggest customers, has squeezed commissions.

More recently, new rules in Europe have made it illegal to offer research as a side benefit of trading, long the practice globally.

Instead, investment firms with European clients starting in January must pay a set price for research, and some clients don't want to pay as much as banks think they should.

Greenwich Associates estimated that European research revenue fell 20% year over year in the first quarter, or by \$300 million.

The firm, which tracks banking trends, expects those same fee pressures to be exerted globally in the years ahead.

Abraaj Files for Provisional Liquidation

Abraaj Group, a once-high-flying private-equity firm that attracted the likes of Bill Gates and the World Bank as investors, said its Cayman Islands

By Simon Clark, Nicolas Parasie and William Louch

based holding company filed for liquidation in what could turn into one of the industry's largest-ever failures.

Founded in Dubai in 2002 by Pakistani deal maker Arif Naqvi, Abraaj managed nearly \$14 billion at its peak earlier this year and was a rising star of the Middle East investment world. The unraveling came quickly after investors in its funds alleged cash was misused and two lenders to Abraaj claimed hundreds of millions of dollars of debt were unpaid. Some investor pledges have been canceled and some assets sold, and the current size of the firm's assets under management is unclear.

Abraaj made the filing for provisional liquidation in the Grand Court of the Cayman Islands. The firm said it plans to continue to operate through the process, which is akin to a U.S. chapter 11 bankruptcy procedure.

Abraaj hopes to "move forward to meet the firm's commitments and restore confidence in the platform," according to Sean Cleary, chairman of Abraaj Holdings, which owns the firm's fund-management unit.

It is unclear if all of Abraaj's creditors will allow that to happen. In May, Kuwait's Public Institution for Social Security, a pension fund, said in a Cayman Islands legal filing that Abraaj should be liquidated and called it "substantially insolvent" and unable to pay a \$100 million unsecured loan. Earlier this month, an investment company called **Auctus Fund Ltd.** said Abraaj's holding company and fund-management unit owes it about \$300 million.

A messy battle lies ahead over control of the firm and its substantial fund assets. U.S. buyout firm **Cerberus Capital Management** is seeking to buy Abraaj's main fund-management unit. **TPG**, another U.S. buyout firm, is angling to take over Abraaj's health-care fund.

The firm said it plans to continue to operate through the process.

Abraaj's situation is "very unique" in the annals of private equity, where firm collapses are rare, according to Ludovic Phalippou, an associate professor at the University of Oxford. Typically, a private-equity firm acts as the manager of individual funds which insulate it from creditors.

Private-equity firms usually raise their funds from investors and use a combination of those funds and bank loans to buy companies. Those loans are usually secured on the acquired companies rather than on the private-equity firm.

But Abraaj's holding company and fund-management unit also borrowed money in their own right and repayment is now overdue.

Thursday's filing from Abraaj "imposes a moratorium on the enforcement of all unsecured claims against the company, allowing time for a proposal to be put to creditors," Abraaj said. The firm said its secured creditors support the move.

Mr. Naqvi, who stepped back from overseeing Abraaj's fund-management business earlier this year, remains as head of the holding company. He said the sale process for the fund-management business is continuing and that "new ownership" would be "stabilizing for all who are associated with the asset management business."

Abraaj has said money moved out of the Abraaj Growth Markets Health Fund was used for its stated purpose or returned to investors.

MARKETS

Foreigners Pour Into China's Debt

Group is the biggest buyer of government bonds after inclusion in a global index

BY SHEN HONG

SHANGHAI—Foreign investors have emerged as the biggest buyers of government debt in China this year, a surprise development that is largely due to the inclusion of Chinese bonds in a global index and the yuan's resilience.

Those overseas investors, primarily big institutional investors as well as central banks and sovereign-wealth funds, have bought a net 229.4 billion yuan (\$35.9 billion) of government bonds in 2018. The second-place group of investors, Chinese brokerages, have net purchases of 41 billion yuan.

The surge in foreign buying has picked up since late March, when Bloomberg LP

said it would add Chinese bonds to the Bloomberg Barclays Global Aggregate Index, becoming the first of the world's three major bond indexes to include them.

"The index inclusion of the Chinese market has definitely had a big impact on demand because many global investors track such indexes when allocating their money," said Peter Ru, Shanghai-based chief investment officer for China fixed income at Neuberger Berman Investment Management.

Goldman Sachs Group Inc. estimated last year that Chinese bonds' eventual inclusion in the world's three major bond indexes—**JPMorgan Chase & Co.** and **Citigroup Inc.** run the other two—could trigger fund flows of up to \$250 billion into the market.

In all, foreign investors' holdings of Chinese government bonds had reached a record 836 billion yuan by the end of May, according to data

Debt Cravings

Foreign investors have been increasing their holdings of Chinese government bonds for the past 15 months.



Note: 1 trillion yuan = \$156 billion

Source: Wind Info

THE WALL STREET JOURNAL

provider Wind Information

Co., double the amount a year ago and marking the 15th consecutive monthly rise. Their presence in Chinese domestic bonds is small overall, at 1.7% of the \$12 trillion market.

China's banks, insurers, brokerages and mutual funds dominate bond ownership.

Foreign investors' increasing appetite for Chinese bonds, especially government debt, has coincided with a sharp rebound in the market in recent months. The yield on the 10-year Chinese government bond has fallen to 3.66% from a three-year high of 4% in mid-January. Yields decline when bond prices rise.

"Despite the recent drop in Chinese bond yields, they remain attractive in the global context," said Liu Dongliang, senior analyst at China Merchants Bank. The yield on 10-year U.S. Treasuries is 2.95%.

The foreign interest has increased amid uncertainty about the outlook for the world's second-largest economy. Data released Thursday showed a slowdown of growth in May in some areas.

Beijing has worked to improve foreigners' access to its bond market in recent years.

Last July, it launched a bond-trading link between mainland China and Hong Kong, granting access to international investors with trading accounts in the former British colony. The year before, foreign investors with trading accounts inside China were first able to access the bond market.

A resilient yuan in recent months, particularly compared with battered emerging-market peers such as the Argentine peso and Turkish lira, has also made a difference. The yuan has gained 1.6% against the U.S. dollar since the beginning of the year, after a 6.3% rise last year.

"As global central banks increase their holdings of the yuan as a reserve currency, they need to find a place to park the money, and government bonds are a natural choice," said Kevin Wang, Shanghai-based vice president of the financial market division at Bank SinoPac (China) Ltd.

Treasurys Strengthen After ECB, Retail Sales

BY ORLA McCAFFREY

U.S. government-bond prices rose after the European Central Bank signaled it would wind down its bond-buying program by the end of the year but likely wouldn't raise interest rates "at least through the summer of 2019."

The yield on the benchmark 10-year U.S. Treasury note settled at 2.948%, down from 2.979% Wednesday. Yields fall as bond prices rise.

Bond yields fell early Thursday after the ECB's meeting. The yield on the 10-year Treasury note then pared declines, before drifting lower again after data showed retail sales rose more than expected in May and that the number of Americans filing new claims for unemployment benefits fell more than expected.

The latest fluctuations in yields came a day after the

The yield on the benchmark 10-year U.S. government note declined to 2.948%.

Federal Reserve raised its benchmark federal-funds rate by a quarter-percentage point and signaled it would likely raise rates twice more in 2018, citing a strong labor market and rising inflation.

"The Fed had already upped the ante yesterday in defining gradual as 25 basis points per quarter and with [Chairman Jerome] Powell's characterization of the economy as being in great shape," said Ian Lyngen, head of U.S. government bond strategy at BMO Capital Markets. A basis point is one-hundredth of a percentage point.

In comparison, the ECB's decision not to raise interest rates until mid-2019 struck many analysts as dovish.

"At the beginning of the year, every major economist was certain of two things: The ECB would end [quantitative easing] by September and rate-policy increases would be discussed toward the end of the year," said Jim Vogel, interest-rate strategist at FTN Financial. "You can understand now why people are no longer pushing to get the 10-year above 3%."

ECB President Mario Draghi said the bank's governing council is willing to keep rates unchanged "for as long as necessary to ensure that the evolution of inflation remains aligned with our current expectations of a sustained adjustment path."

Yields on German and Italian 10-year notes fell after the ECB statement. The euro fell 1.9% against the dollar, its biggest one-day percentage drop since June 2016, to \$1.1569.

U.S. Debt Auctions

The Treasury Department will auction \$121 billion in securities next week, comprising \$68 billion in new debt and \$53 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on March 22, 2018, maturing Sept. 20, 2018. Cusip number: 912796PZ6.

Also Monday, \$42 billion in 26-week bills, dated June 21, 2018, maturing Dec. 20, 2018. Cusip number: 912796QP7.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

♦ **Tuesday:** \$26 billion in 52-week bills, dated June 21, 2018, maturing June 20, 2019. Cusip number: 912796QM4. Noncompetitive tenders must be received by 11 a.m. Tuesday and competitive tenders are due by 11:30 a.m.

♦ **Thursday:** \$5 billion in 29-year, eight-month 1% Treasury inflation-protected securities, a reopening of an issue first sold on Feb. 28, 2018, maturing Feb. 15, 2048. Cusip number: 912810SB5. Noncompetitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

Xiaomi Picks Shanghai for Chunk of Its IPO

BY STELLA YIFAN XIE

Chinese smartphone maker **Xiaomi Corp.** filed plans with regulators to conduct a large portion of its initial public offering in Shanghai—which could help it earn a higher market valuation when it lists.

In a filing with China's stock-market regulator Thursday, Xiaomi said at least 50% of the shares it is selling will be aimed at domestic investors, who can

buy financial instruments called Chinese depositary receipts. The newly issued Chinese securities will make up at least 7% of Xiaomi's total share capital, the company said.

Beijing-based Xiaomi, which also is planning to list in Hong Kong, didn't disclose how much it plans to raise in its IPO in coming weeks. The Wall Street Journal previously reported that Xiaomi is looking to raise around \$10 billion and is aim-

ing for a market valuation of \$70 billion to \$80 billion. The company has scheduled a press conference for June 23, when it is expected to provide details about its share sales.

Xiaomi, one of China's largest and best-known smartphone brands, would be the first company to issue depositary receipts to Chinese investors on the mainland. Listing rules until recently prevented foreign-domiciled firms from

selling shares locally; with new rules and the new securities, Xiaomi and many of China's other tech giants now can list at home.

The Xiaomi IPO, expected to be one of the largest anywhere in years, will be an important test of investor appetite and optimism for China's booming technology sector.

Selling a large portion of its shares in China's retail investor-driven market, where Xi-

ami has better name recognition than in overseas markets, could improve its chances of a strong trading debut. Shares of most mainland-listed tech companies trade at a premium to their Hong Kong-listed peers. In addition, the vast majority of IPOs in China over the past year have surged on their first day of trading and climbed subsequently.

—Julie Steinberg

contributed to this article.

Shares Stabilize After Policy Shift Spooked Market

BY JON SINDREU
AND DANIELLE CHEMTOB

U.S. stocks stabilized Thursday, suggesting investors are coming to terms with central banks' plans to gradually leave behind a decade of unprecedented monetary stimulus.

Major indexes had tumbled a day earlier when the Federal Reserve signaled that

Nasdaq Composite gained 65.34 points, or 0.8%, to 7761.04 for its 20th record close this year. And the Dow Jones Industrial Average slipped 25.89 points, or 0.1%, to 25175.31.

Mike Loewengart, vice president of investment strategy at E*Trade, said the Fed's decision was warranted given strong U.S. economic data, which continued to buoy stocks Thursday.

May retail sales rose 0.8% from a month earlier to \$502 billion, the biggest one-month jump since November. The number of workers filing new claims for unemployment benefits fell below expectations, a signal of further tightening in the labor market. The number of claims workers made for longer than a week decreased to its lowest level since 1973. And inflation has shown signs of accelerating, with consumer prices last month rising at an annual pace not seen since 2012.

Investors were positively surprised by ECB officials saying they expect key interest rates to remain unchanged at least through summer 2019, suggesting that policy will remain more expansionary than investors were expecting.

Some were worried that tighter policy could hurt the eurozone economy, which has

been showing signs of losing some momentum. The euro suffered its worst day against the dollar since the U.K. voted to leave the European Union

two years ago.

But James Ragan, director of wealth management research for D.A. Davidson, said the upside from U.S. economic

growth is greater than any weakness in the eurozone.

"It certainly could be a constraint for corporate performance in the second half of the year, but offsetting that right now is just the strength in the U.S. economy," he said.

Shares of financial stocks in the S&P 500 slumped Thursday alongside government-bond yields. Stocks that investors consider bondlike, such as those in the S&P's utility and real-estate sectors, rebounded from Wednesday's losses, gaining 1.2% and 0.8%, respectively.

Elsewhere, the Stoxx Europe 600 climbed 1.2%, recouping earlier losses after the ECB announcement, and the euro dropped 1.8% against the dollar.

In Asia early Friday, Japan's Nikkei Stock Average was up 0.2% before the Bank of Japan was supposed to make a policy announcement. Hong Kong's Hang Seng Index was up 0.1%.

U.S. Oil Prices Turn Higher on Lower Stockpile

BY CHRISTOPHER ALESSI

U.S. oil prices ticked higher Thursday after data showed a decline in domestic petroleum inventories.

On the New York Mercantile Exchange, West Texas Intermediate

futures rose 0.4% to \$66.89 a barrel. Brent crude, the global oil benchmark, settled down 1% to \$75.94 a barrel on London's Intercontinental Exchange.

U.S. crude stockpiles fell by 4.1 million barrels for the week ended June 8, while gasoline and diesel inventories came down by 2.3 million barrels and 2.1 million barrels, respectively, according to the Energy Information Administration.

"Soaring U.S. oil demand" is supporting prices, according to Tamas Varga, an analyst at

brokerage PVM Oil Associates. Oil prices have come under pressure in recent weeks amid mounting signals that Saudi Arabia and Russia are readying to ramp up crude production after more than a year of holding back output.

The Organization of the Petroleum Exporting Countries—of which Saudi Arabia is the de facto head—and 10 countries outside the oil cartel, including Russia, have been cutting production by around 1.8 million barrels a day since the start of last year. The agreement has helped to boost prices by more than 40%.

But with Brent having tem-

porarily breached the \$80-a-barrel threshold last month, largely in response to rising geopolitical risk to supply in Iran and Venezuela, the Saudis and Russians have indicated a willingness to leave the deal

Attacks Cut Output Of Libyan Crude

Recent attacks on two eastern Libyan ports have shut down a quarter of the country's output, a spokesman for the state-run oil company said Thursday.

In a statement, a spokesman for Libya's National Oil Corp. said oil production of around 240,000 barrels a day had been shut in. He said a planned tanker loading had also been postponed.

The outages follow a rebel attack on the Es-Sider and Ras Lanuf terminals. After years of disruption, Libyan production had more recently recovered to about one million barrels a day.

The outages come amid supply disruptions elsewhere, including in Venezuela.

U.S. sanctions also threaten to reduce the ability of many buyers to take Iranian crude. Amid rising demand and shrinking stored inventories of oil around the world, crude prices have been rising sharply.

The Organization of the Petroleum Exporting Countries as well as non-OPEC producers plan to meet next week to discuss boosting production.

Riyadh and Moscow have said they think the time has come to ease up on cuts. Producers don't like prices too high, fearful it could erode demand. Big consuming countries, meanwhile, have called for an easing.

—Benoit Faucon

MARKETS

Asia's Emerging Markets Top Some Peers

Central banks in the region, their credibility improved, take action after oil, dollar gain

By SAUMYA VAISHAMPAYAN

Asia wasn't spared when investors soured on emerging markets around the world in late April, a shift driven by the dollar's resurgence.

Stocks in Malaysia and Indonesia have tumbled in recent months. Several Asian currencies have depreciated against the dollar this year, including the Indian rupee and Philippine peso. Government-bond yields have surged, with the 10-year yield in Indonesia shooting up to 7.28% from 6.31% at the end of December.

But investors say Asia's emerging markets look stronger than some of their peers, thanks to actions they have taken since the 2013 "taper tantrum," when investors fled emerging markets after the Federal Reserve signaled it was getting closer to reducing stimulus. Those moves have bolstered central-bank credibility in the region. That hasn't happened to the same degree in Argentina or Turkey, the two countries at the center of this spring's emerging-market turmoil.

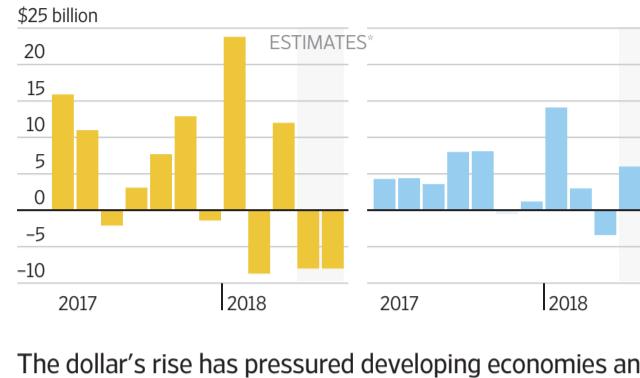
The relative comfort with emerging Asia's central banks and improvements in the region's economic weak spots, such as inflation and current-account balances, have started to lure back some long-term investors.

"Our marginal dollar is going into Asia," said Eric Wong, a fixed-income portfolio manager at Fidelity International in Hong Kong. "That's where we're pivoting."

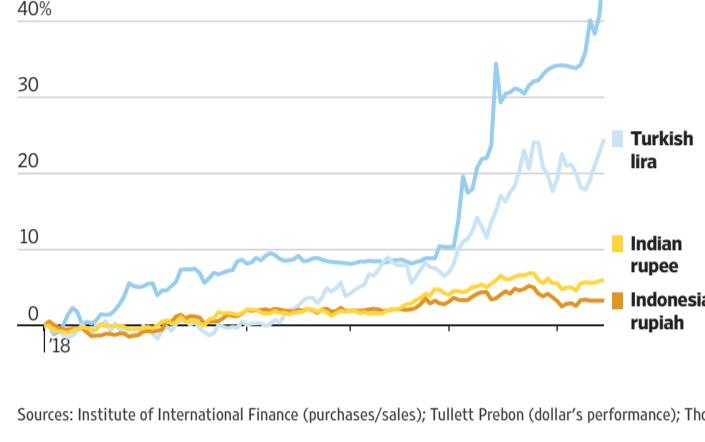
The latest monthly figures still point to sharp outflows from Asia in both April and May. Foreign investors pulled an estimated net \$8 billion from emerging Asian stocks and

Investments in Asian emerging markets often dwarf flows into other EM regions.

Foreigners' net purchases or sales of stocks and bonds



The dollar's rise has pressured developing economies and weighed on their currencies.



Sources: Institute of International Finance (purchases/sales); Tullett Prebon (dollar's performance); Thomson Reuters (rupee, rupiah performance)

bonds last month, making it the region hit worst by the exodus of cash, according to the Institute of International Finance.

The scale in part reflects Asia's habitual dominance of foreign portfolio flows into emerging markets: The region posted the biggest net outflows or inflows into those markets in 19 of the past 24 months through May, according to the IIF's data.

The region's central banks have leapt into action in recent weeks following a surge in oil prices and the dollar's rebound, which makes it more expensive for countries to repay dollar-denominated debt.

India last week raised its main lending rate to 6.25% from 6% for the first time in more than four years. The Reserve Bank of India said it lifted the rate because of a rise in inflation—which it has targeted since 2015—and that it had room to respond to risks to its inflation outlook.

"The central bank is gaining credibility by raising [rates] when inflation is rising...rather than succumbing to what the government might want, like keeping rates low ahead of elections," said Karan Talwar, investment specialist for emerging markets fixed income at BNP Paribas Asset

Management in Hong Kong. Indonesia's central bank last month raised rates twice in less than two weeks to stem the slide in its currency, the rupiah.

In prior years, such rapid moves might have looked like panic measures. But Bank Indonesia held a call with investors just a few hours after that second meeting, demonstrating an improved communication strategy since the taper tantrum, said Roland Mieth, an emerging-markets portfolio manager at Pacific Investment Management Co. in Singapore.

Investors say the recent interest-rate decisions in Asia, especially in Indonesia, should

help stave off destabilizing currency swoons, which is what happened before Argentina's and Turkey's banks were forced to act.

"Indonesia is a reflection of what emerging markets are graduating into," said Jens Nyquist, a senior portfolio manager at Emsco Asset Management in New York.

Turkey's central bank raised its benchmark interest rates last week in a move that briefly lifted the lira from near-record lows. However, market participants continue to question the bank's independence since President Recep Tayyip Erdogan, who op-

tined to implement a new sales tax that is expected to bring in less revenue, which could threaten its ratings from ratings firms, said Mr. Mieth from Pimco.

Fidelity International's Mr. Wong said one reason he has become more positive on Asia is that higher yields could start to attract local investors back into the market, especially cash in China that is sitting on the sidelines.

"A lot of Asian investors buy their own debt in Asia, and that's a very strong technical that you don't find in Latin America, where there are a lot of tourist investors," said Mr. Wong. "They are the first ones to bail when the party's over."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

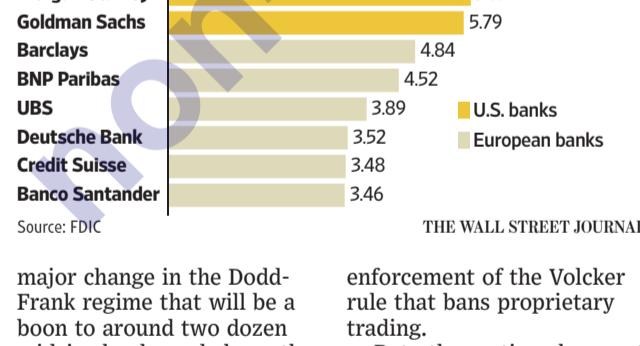
WSJ.com/Heard

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Banks' Regulatory Windfall Misses Mark

Gold Plated

FDIC estimate of tangible capital leverage ratios, end 2017



Source: FDIC

ley while making the process less predictable for all of the largest banks.

Another major letdown for these institutions is the lack of follow-through on the Treasury's recommendation to re-examine the "gold plating" of international standards whereby "globally systemically important" U.S. banks are required to hold higher levels of capital than their peers abroad.

According to an analysis by the Federal Deposit Insurance Corp., globally systemically important banks in the U.S. on average held tangible capital equivalent to 6.9% of total assets at the end of last year compared with 4.8% at their European peers.

The Treasury report stated that this "can make U.S. institutions less competitive globally" and "can sometimes create an undue burden of higher costs to our economy."

Yet there is no talk emanating from the Fed today of

lessening this burden. Asked about the regulatory agenda at a news conference on Wednesday, Fed Chairman Jerome Powell said he has a "full docket" ahead of him, but he focused mainly on the need to tailor rules for smaller institutions.

That may not be an accident. Doing anything to help top banks like Wells Fargo and Goldman Sachs remains a tough sell politically in Washington.

Despite this, large-cap bank stocks have outperformed regional ones since the election. The large-cap KBW Nasdaq Bank Index has risen 44% over the period compared with a 35% rise for KBW's regional bank index.

Much of that likely can be attributed to macro factors such as higher interest rates and increased trading activity in the markets. Investors shouldn't expect much more upside based on deregulation for the biggest lenders, though.

—Aaron Back

OVERHEARD

Investigative Reporters & Editors Inc. seems to have a sense of humor. The journalism nonprofit organization is holding its annual conference this week in Orlando, Fla. The hotel choice: the Renaissance Orlando at SeaWorld.

SeaWorld has had plenty of experience with investigative reporting. The theme park was the subject of "Blackfish," a 2013 documentary which called into question SeaWorld's treatment of the animals there. The documentary triggered an outcry from activists as well as a furious response from parent company **SeaWorld Entertainment**. The park experienced declining revenue.

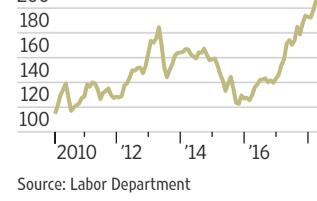
There was fallout on Wall Street as well. SeaWorld stock now trades at about \$21, well below the high of about \$39 set in 2013.

Visiting journalists should be kind enough to at least purchase a souvenir or two from the gift shop.

Tariffs Inflate U.S. Consumer Spending

Logging Gains

Import-price index for lumber and wood in the rough



Source: Labor Department

of around 20% that the White House levied on Canadian lumber last year haven't changed that dynamic. So buyers have had to pay up. On Wednesday, the Labor Department reported that wholesale prices for softwood lumber rose 6.4% in May from April, and Thursday it reported that prices for imported lumber rose 6%.

Increasing lumber prices aren't a significant problem for the economy. But they are evidence that tariffs can affect the economy, which is particularly important at a time inflation is picking up. A new wave of tariffs on Chinese goods, expected as soon as Friday, means that what is happening with wood may be a taste of what is to come.

—Justin Lahart

building material and garden equipment and supplies dealers. The big home-improvement chains have said higher lumber prices, which hit record levels last month, have helped boost sales.

The U.S. relies heavily on imported lumber, particularly from Canada, and the tariffs

Sky could end up the consolation prize in the battle for **21st Century Fox**. But that doesn't mean it won't fetch a blockbuster price.

Shares of the European pay-TV giant, which has received rival bids from Fox and **Comcast** this year, slipped almost 2% Wednesday. This followed news late Tuesday that **AT&T** and **Time Warner** will be allowed to merge, which was followed by Comcast's big bid for Fox on Wednesday.

Investors' sudden caution toward Sky, after heated talk of a bidding war, makes sense in the short run. Now that the U.S. consolidation game is on, neither Comcast nor **Walt Disney**—which also has bid for Fox—has any interest in inflating the value

of Sky. That is because Fox's 39% stake in the U.K.-based company is a cornerstone of the assets up for grabs.

Most important, the publicly traded stake in Sky isn't dependent on which company eventually gets the Fox assets. Comcast's £12.50 (\$16.70) per-share bid for Sky currently tops Fox's £10.75 bid, which is now backed by Disney. Sky stock, at £13.48, is higher again.

Investors are right to anticipate more bidding. Whoever loses Fox will need another defense against the challenge posed by **Netflix** and other internet-based TV platforms. Sky has 23 million customers and a popular streaming service, making it the obvious way for the U.S. media giants to gain a

broader international audience for their content.

The risk for Sky investors is that Comcast and Disney avoid a bidding war by agreeing to split Fox's assets. Sky would likely be a core part of any such deal, as would streaming service Hulu.

Comcast has hinted it would be prepared to give up Fox's stake in Hulu as part of an antitrust settlement, indicating a willingness to negotiate.

Such deals are hard to reach. With Comcast's bid as a backstop, Sky investors should probably hold tight. The bidding action has shifted to the U.S. for now, but it may not be long before it returns to the U.K.

—Stephen Wilmot

Sky Investors Should Wait for Higher Bid

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U.S. OPEN



SHINNECOCK HILLS

118TH



TODAY

10AM ET

FS1

4:30PM ET

FOX

Charley Pride struck out in baseball but hit platinum in music

M12



MANSION

'Cooking is at once child's play and adult joy. And cooking done with care is an act of love.'

—Craig Claiborne

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, June 15, 2018 | M1



SCOTT MCINTYRE FOR THE WALL STREET JOURNAL (3); JUSTIN CLEMONS FOR THE WALL STREET JOURNAL (PRIDE)

HANDS ON Chiara Clark finds helping her daughter Finley, 9, her son Fletcher, 4, and daughter Francesca, 7, learn how to cook brings the family together. Ms. Clark and her husband, Tom, refit their kitchen with their children in mind as part of a nearly \$500,000 renovation in their Gulf Stream, Fla., home. Below left and right, an M&M pizza and the Clark family.

Kitchens Cater to Pint-Size Chefs

Designers cook up deluxe child-friendly spaces to include under-counter refrigerators, playrooms for dining, islands suited to homework and washable bar stools.



BY ALINA DIZIK

WHEN CHIARA AND Tom Clark decided to gut-renovate the kitchen of their Gulf Stream, Fla., home, their 9-year-old daughter, Finley, had one request: abundant counter space for the wacky pizza competitions she hosts with her friends.

Recent winners: a marshmallow and mayo pizza, along with a radish and Jell-O version. "They love it," Ms. Clark says.

The Clarks' nearly \$500,000 renovation made the kitchen child-friendly for Fletcher, 4, and Francesca, 7, as well. All of the kitchen's storage is below counter height, so even those who are 4-feet and under have total access. "Everything

Please turn to page M6



A REFUGE FROM MUD AND FIRE

INSIDE

Destructive wildfires and mudslides in the California seaside town of Montecito have prompted some homeowners to buy in nearby Hope Ranch, sending home prices soaring. 'People are looking for a safer place to go.'

BY NANCY KEATES

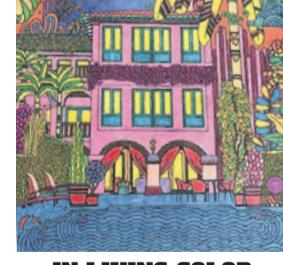
WHEN RHEA HAYES decided to sell her house in the wealthy, Southern California coastal community of Hope Ranch, she had a hunch it would go fast. She and her husband had been thinking of downsizing and heard the market was inundated with people who had lost their homes in the recent fire and mudslides in nearby Montecito.

"We thought this timing could be good," says Ms. Hayes. It was: The three-bedroom ranch house on a 2-acre lot sold in just four days last month for \$3.855 million—just a smidgen below the asking price. The buyers had been asleep in their Montecito home when mud crashed through the walls and swept away most of their possessions. "They decided they were just going to move on and not look back," explains Ms. Hayes.

The idyllic seaside town of Montecito is still recovering from a catastrophe caused by one of the largest fires in California history and a subsequent mudslide in January



\$135 MILLION
31,000-square-foot
spec home listed M2



IN LIVING COLOR
Mansion readers show
off their art M8



SPLISH, SPLASH
Bathtubs with
outer beauty M4

STATELY HAVEN This sprawling five-bedroom, nine-bathroom home in Hope Ranch is on the market for \$15.25 million.

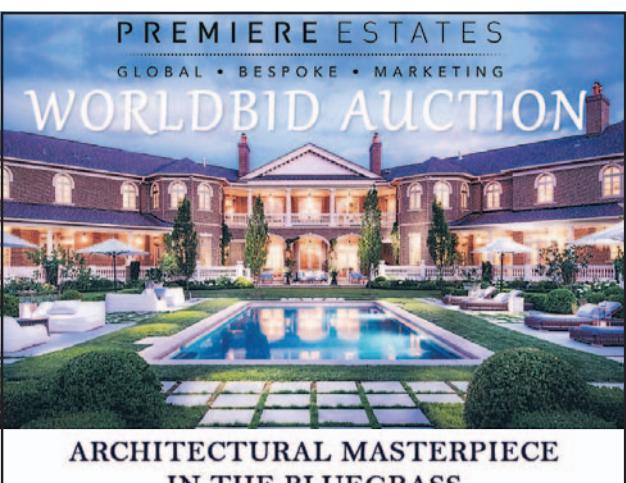
that left more than 20 people dead and some 400 homes damaged or de-

stroyed. Some areas of Montecito still look like a war zone, as boulders, trees, de-

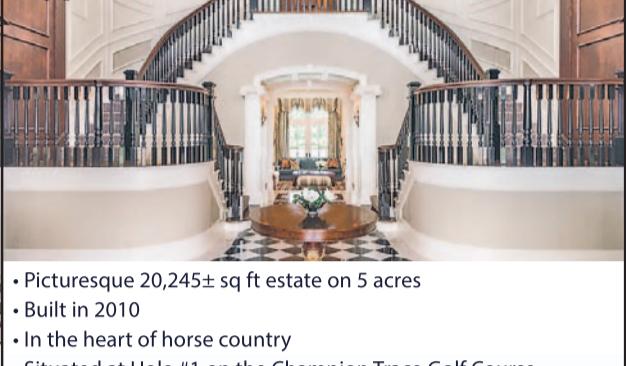
bris, cars and crushed houses slid down with the mud through residential ar-

eas. With its high-profile celebrity residents like Oprah

Please turn to page M5



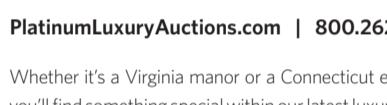
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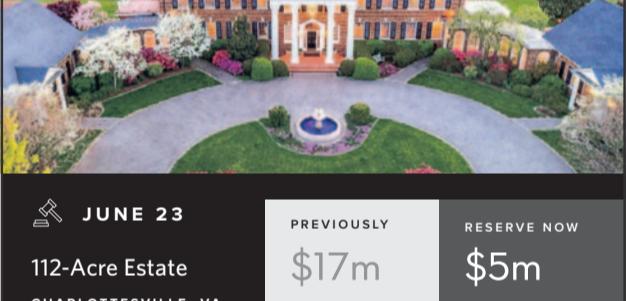
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MANSION

WALMART EXEC PAYS \$43.79 MILLION IN NEW YORK

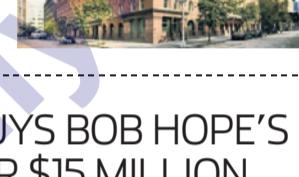
Marc Lore, who heads Walmart's U.S. e-commerce business, is the buyer of a roughly \$43.79 million Tribeca penthouse, according to two people familiar with the deal.

Mr. Lore bought the unit through a limited liability company, records show. He didn't respond to requests for comment, and a spokesman for Walmart declined to comment.

Located in 443 Greenwich Street, the unit is 8,569 square feet, according to listings website StreetEasy. The building has become a hub for celebrity buyers, according to people familiar with the building.

Erin Boisson Arias of Christie's International Real Estate represented Mr. Lore. The developer was represented by new development marketing firm Cantor Pecorella.

—Katherine Clarke



PRIVATE PROPERTIES

A \$135 Million Spec Home in L.A.

The developer who sold a Los Angeles spec home to Detroit Pistons owner Tom Gores for \$100 million in 2016 is listing another property for \$135 million. If it sells for that amount, the transaction would represent the highest price ever paid for a Los Angeles home.

The record price was set earlier this year by the \$110 million sale of Hard Rock Cafe founder Peter Morton's Malibu home.

According to a spokeswoman for Coldwell Banker Global Luxury, the firm listing the property, the estate is in the Beverly Hills Post Office area. Sitting on an over 5-acre mountaintop site, the main home totals approximately 31,000 square feet. The estate also in-



cludes garages for 10 cars and a sports facility with a basketball court, two tennis courts and a boxing ring.

The seller is developer Gala Asher, the spokeswoman said. He bought the property for \$22 million in 2016 from a trust controlled by Jeoung Lee, a health care

entrepreneur, records show. Mr. Asher completely overhauled the home, updating its château-style facade to include more modern elements.

Mr. Asher declined to comment, as did his wife, listing agent Ginger Glass of Coldwell Banker Global Luxury.

—Katherine Clarke



BILLIONAIRE ART SCION SPENDS \$60 MILLION ON TWO UNITS

A limited liability company tied to Hillel "Helly" Nahmad, son of a billionaire art collector, has purchased two apartments at New York mega-tower 432 Park Avenue for a combined roughly \$60 million, according to public records.

The company is identified as the purchaser on both deeds, which include Mr. Nahmad's signatures, public records show. Mr. Nahmad didn't respond to a request for comment, and an attorney who represented the purchasing entities declined to discuss the sales.

Mr. Nahmad was arrested

in 2013 and served time in prison for his role in running an illegal sports gambling business.

The purchases of \$25.25 million and \$34.75 million represent two of the priciest resales to have closed at the tallest residential building in the city. They were listed for a combined \$68.5 million, according to listings website StreetEasy. Together, the two units fill an entire floor, spanning about 8,000 square feet.

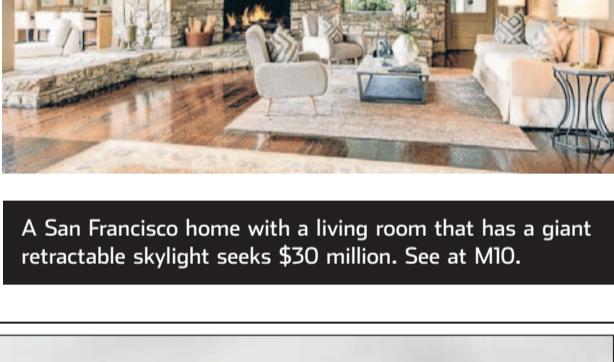
Elesie Reid of Brown Harris Stevens represented the seller in the deal.

—Katherine Clarke

RON BURKLE BUYS BOB HOPE'S L.A. HOME FOR \$15 MILLION

Ron Burkle, a billionaire investor and architecture fan, has purchased the long-time Los Angeles home of the late entertainer Bob Hope for \$15 million.

Mr. Burkle, co-founder of the investment firm Yucaipa, also owns the Hopes' former home in Palm Springs, Calif., a futuristic structure often described as looking like a U.F.O. Mr. Burkle paid \$13 million for that property in 2016, according to public records.



A San Francisco home with a living room that has a giant retractable skylight seeks \$30 million. See at M10.



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OCEAN CLUB & RESIDENCES

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5 Bed 5 Bath

Kyle W. Blackmon
646.798.8898
kblackmon@compass.com

Greenwich Village



122 Greenwich Avenue
\$23,950,000
4 Bed 5.5 Bath

Kyle W. Blackmon
646.798.8898
kblackmon@compass.com

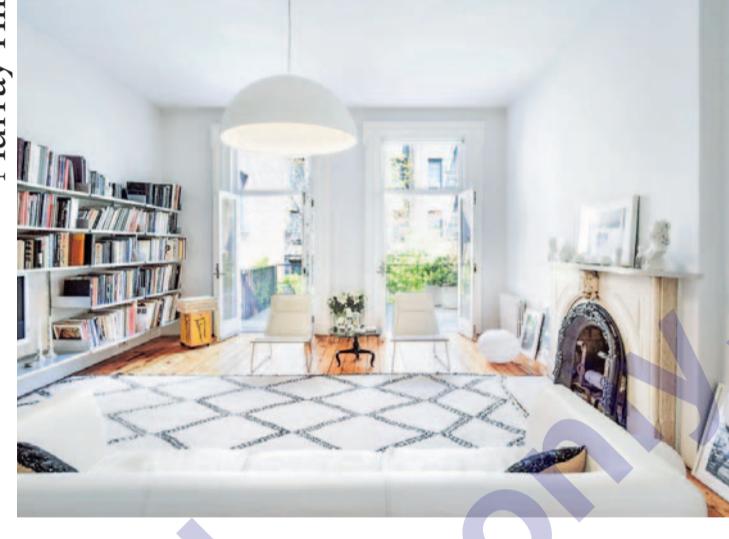
West Village



150 Charles Street
\$9,950,000
3 Bed 3.5 Bath

Steve Dawson
646.382.1074
sd@compass.com

Murray Hill



237 East 32nd Street
\$5,690,000
5 Bed 2.5 Bath

Julia Hoagland Team
646.832.3545
jht@compass.com

Westchester



14 Cole Drive, Armonk
\$5,600,000
8 Bed 8.2 Bath

Brian Milton
914.469.9889
brian.milton@compass.com

Upper East Side



1075 Park Avenue
\$3,950,000
3 Bed 3 Bath

Arline Tarte
917.754.1161
arline.tarte@compass.com

Greenwich



80 Howard Road
\$3,000,000
5 Bed 6.1 Bath

Brian Milton
203.900.4020
brian.milton@compass.com

Westchester



12 Woodmill Road, Chappaqua
\$1,949,000
3 Bed 5.1 Bath

The Miller-Goldenberg Team
914.656.3287
debbie.goldenberg@compass.com

Discover the most distinguished homes in the Northeast.

1. High Fl Open Views Classic '6'
Upper East Side. 2BR, 3.5 Bath.
\$2.69M. Web# 17703880.
Abigail Lash 212-906-9281

2. Greenwich Village Garden Oasis
Greenwich Village. 5BR, 5 Bath.
\$13.25M. Web# 18354122.
Amanda J. Young 212-712-1130
Anne S. Young 212-452-6204

3. Brand New 2BR, 2.5 Bath Condo
West Soho. 2BR, 2.5 Bath.
\$2.525M. Web# 18478768.
Rachel A. Glazer 212-317-3661
John R. Edwards 212-906-9252

4. The Pfizer Mansion
Clinton Hill. 7BR, 5.5 Bath.
\$13.5M. Web# 18360052.
Angela Ferrante 718-858-1765



5. Brooklyn Heights Penthouse

Brooklyn Heights. 2BR, 2 Bath.
\$1.6M. Web# 18518507.
Brahma R. Yassky 212-906-0506

6. Grand Architecture on Fifth Avenue
Upper East Side. 5BR, 4.5 Bath.
\$21M. Web# 18380806.
S. Jean Meisel 212-906-9209
Susan B. Rubin 212-906-9323



7. New 22' + Wide Townhouse

West Village. 8BR, 8.5 Bath.
\$25M. Web# 18511050.
David E. Kornmeier 212-588-5642

8. Central Park Your Front Yard
Upper West Side. 4BR, 3.5 Bath.
\$5.75M. Web# 18394633.
Mike Lubin 212-317-3672
Jeremy Rosenblatt 212-588-5657

9. Penthouse Condo/Outdoor Space
West 70's. 4BR, 4.5 Bath.
\$15M. Web# 18474079.
Lisa Schuller 212-588-5678

10. Sprawling Tranquility
Prospect Heights. 3BR, 2.5 Bath.
\$1.695M. Web# 18360525.
Rudi Hanja 212-317-3675
Siim M. Hanja 212-317-3670

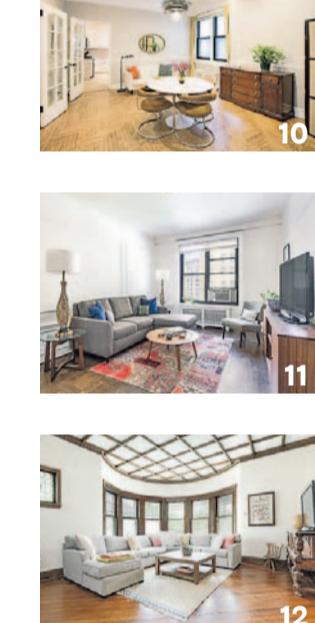
11. Mint 2BR on WEA - Low Maint.

WEA/90s. 2BR, 1 Bath.
\$1.195M. Web# 18426315.
Marie M. Bingham 212-588-5654
Cheryl F. Rindfleish 212-588-5603

12. Glamorous Mediterranean Home
Prospect Park South. 6BR, 3.5 Bath.
\$3.195M. Web# 18443795.
Mary Kay Seery 718-399-4108
Jeffery L. Welch 718-399-4132

13. One-of-a-Kind
Upper West Side. 3BR, 3.5 Bath.
\$5.25M. Web# 18518546.
Naomi J. Davis 212-588-5634

14. The Sky's the Limit
Midtown East. 7BR, 8.5 Bath.
\$12M. Web# 18456145.
Carolyn B. Joy 212-712-1132
Ian W. McGowan 212-906-0517



15. A Real Home with Style and Space

Upper East Side. 3BR, 3 Bath.
\$2.495M. Web# 18353794.

Wendy L. Richardson 212-906-9257

16. The Park Mansion – Full Floors
Upper East Side. New 3-4BR w/
private outdoor space in a prewar
Condo. Prices start at \$5M. Co-Excl.
Daniella Schlisser 212-906-9348



The complete offering terms are in an offering plan available from Sponsor. Sponsor: 320 E 82nd Owner LLC, 745 5th Avenue, 5th Floor, New York, New York 10151. File No. CD16-0055.

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MANSION

BALANCE SHEET

A Couple's Basement Gets a Sunny Outlook

A \$600,000 renovation enlarges and enlightens a subterranean apartment in central London

BY RUTH BLOOMFIELD

BENEATH THE SIDEWALKS of London, a family has created an unexpectedly light and airy home.

When Jessica and Trevor Morris first viewed their cramped two-bedroom basement apartment, back in 2014, they loved its central location in the Paddington neighborhood of the British capital, close to the expanses of Hyde Park. And they were confident they could overcome downsides, like its size and minuscule galley kitchen, by reconfiguring the space.

They paid £845,000, or about \$1.14 million, for the 850-square-foot, two-bedroom apartment. An extra \$1,340 bought them the coal-storage areas located beneath the sidewalk facing the apartment.

The couple—Mr. Morris, 47, is principal at SPPARC Architecture, while Mrs. Morris, 38, is an actress—needed an extra bedroom. Their first child, Ralphie, was born in 2015, and Mr. Morris' two teenage sons, Alex, 18, and Benji, 15, are frequent visitors.

Work on enlarging the property began in 2016, and another priority was to create a private front door. To do this, they inserted a set of metal steps into the front light well of the building, leading from the street to basement level.

To save space they dispensed with corridors, and visitors now step through the front door through a small lobby and into the long, slim kitchen. The kitchen, in turn, leads into the dining room.

Half of their backyard was sacrificed to make a separate sitting room. Its floor-to-ceiling bi-fold doors open up onto their remaining outside space. The en suite guest bedroom is also accessed via the yard, with more bi-fold doors, while the master bedroom gets sunlight from the bay window that's original to the late-Georgian era building.

They then converted the coal vaults into a third bedroom and bathroom, now occupied by Ralphie (who is often accompanied by the family cat, Mr. Purrkins).

Overall, the work increased the size of the property to 1,150 square feet.

For a relatively small project, the structural challenges were considerable. The coal vaults needed to be waterproofed, and the floor in the main part of the apartment had to be excavated to create higher ceilings in the dining and living rooms. Removing walls meant adding plenty of structural support, since there are half a



LOW LIGHT Trevor and Jessica Morris with their son, Ralphie, in the living room of their London basement apartment, above. Below left, metal steps from street level to the basement entrance. Below right, the living room leads into the dining room and kitchen. Bottom, Ralphie's room and the master bedroom. The project cost about \$600,000 and took about a year to complete.



dozen apartments above theirs, and the task of diverting pipes from the homes above was also complex and time consuming.

Partly because of these structural elements, the work cost about \$600,000 and took roughly a year to complete.

The technical challenges were Mr. Morris's problem. Mrs. Morris was more concerned about how the home would look. "I sometimes think that architects' homes don't have a very [homely] feel, and I really wanted it to be warm," she said.

Mr. Morris had a solution—timber, and plenty of it. Limed oak is used on the floors and ceilings, while texture is added with sections of reclaimed brick on the walls. Lighting was clearly crucial

in a subterranean space, and Mr. Morris designed short, straight strands of LED lights embedded into the ceilings in place of cornicing.

The sitting room has a glass wall of windows, but to make it even brighter, Mr. Morris created a timber-clad ceiling with an "apron" of glass around it. To protect the room from being overlooked by the apartments above, slats of timber have been installed, creating a wood "blind."

"I think that it has got a really bright, fresh feel," said Mr. Morris. "I never get bored with it."

Mr. Morris deliberately hid the apartment's three marble-clad bathrooms behind what look like cupboard doors.

"I wanted there to be an ele-



ment of surprise," he explained.

In hindsight, however, he would rethink the hidden bathrooms with above-door windows to give a sense of the space beyond.

"Perhaps it does make the apartment feel smaller than it is."

Any modifications will have to wait, however. Mrs. Morris is due to have the couple's second child this month.



DYLAN THOMAS FOR THE WALL STREET JOURNAL (5)



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MANSION



SOAK IT UP

The Japanese-style, American-made Onsen Ofuro soaking tub by Zen Bathworks, based in Haines, Alaska, is made for use after a cleansing shower. The handmade tub has natural wood on its exterior, and an engineered-wood inside that makes the tub leak-proof and stable as it dries. It comes in hinoki (pictured above), which is a type of cypress; red cedar; or teak. The tub is mold-resistant and rot-resistant. The hinoki and cedar models emit a pleasant woody aroma.

Prices: Starting at \$5,400; the teak model starts at \$7,000.



A SLIM PROFILE
The minimalistic Immersion bathtub designed by Neri & Hu, based in Shanghai, allows bathers to sit nearly upright. It comes with a slatted seat that is available in iroko wood or in the same composite material as the tub. The bathtub takes up less floor space than many shallower tubs because of its design. The tub is made from a patented material called Cristalplant and comes in three colors: dark grey, light grey and white.

Price: About \$7,075

ELEMENTS

FREESTANDING TUBS MAKE A BIG SPLASH

More homeowners buck the shower-only trend to bathe in the luxury of soaking tubs; the latest models are made of aromatic woods, patented materials

BATHING ISN'T going down the drain, despite an uptick in the money spent on shower-only bathrooms, according to the National Kitchen & Bath Association.

But tastes in tubs are chang-

ing. Soaking away troubles in a freestanding tub versus an inset tub is more popular than ever. And homeowners are moving far beyond the basic white claw-foot models.

The new tubs are made of

natural or patented material, or a mix. Companies that make tubs from man-made compounds say they retain heat better than porcelain-coated, cast-iron tubs, weigh less and are nonporous.

—Karen Bruno



WATER ON THE INSIDE, SUNDRIES ON THE OUTSIDE

The Amanpuri 7 by Blu Bathworks, based in Vancouver, is designed to look like furniture, with Italian-made recessed modular shelving on two sides of the exterior. The shelving is available in five colors: white, onyx, smoke, tobacco and silk. The tub is made of a recycled quartz material and the shelves are wood.

Prices: \$15,000 to \$20,000, depending on size and shelf configuration.



ROSY OUTLOOK

The Ove Floral bathtub by WetStyle, of Montreal, is crafted from a patented eco-friendly, thermo-insulating material made of soy and mineral stone and is watermarked with a floral design that can be in matte and glossy textures. The motif adds a feminine flair to what is often a blank surface.

Prices: \$7,575. The floral design can be applied to any of WetStyle's tubs for an additional \$1,800.



TRENDY TROUGH

This steel, enameled tub was designed by Spanish designer Patricia Urquiola for a hotel in Vieques, Puerto Rico. It recalls an old-fashioned, trough-style washtub. The free-standing bathtub is made by Agape, based in Mantua, Italy, and is available in two sizes—standard and small—and two finishes: all white or with a white interior and enameled dark exterior. A backrest and shelf in teak that fit over the tub rim can be purchased separately.

Price: About \$8,250, tub only

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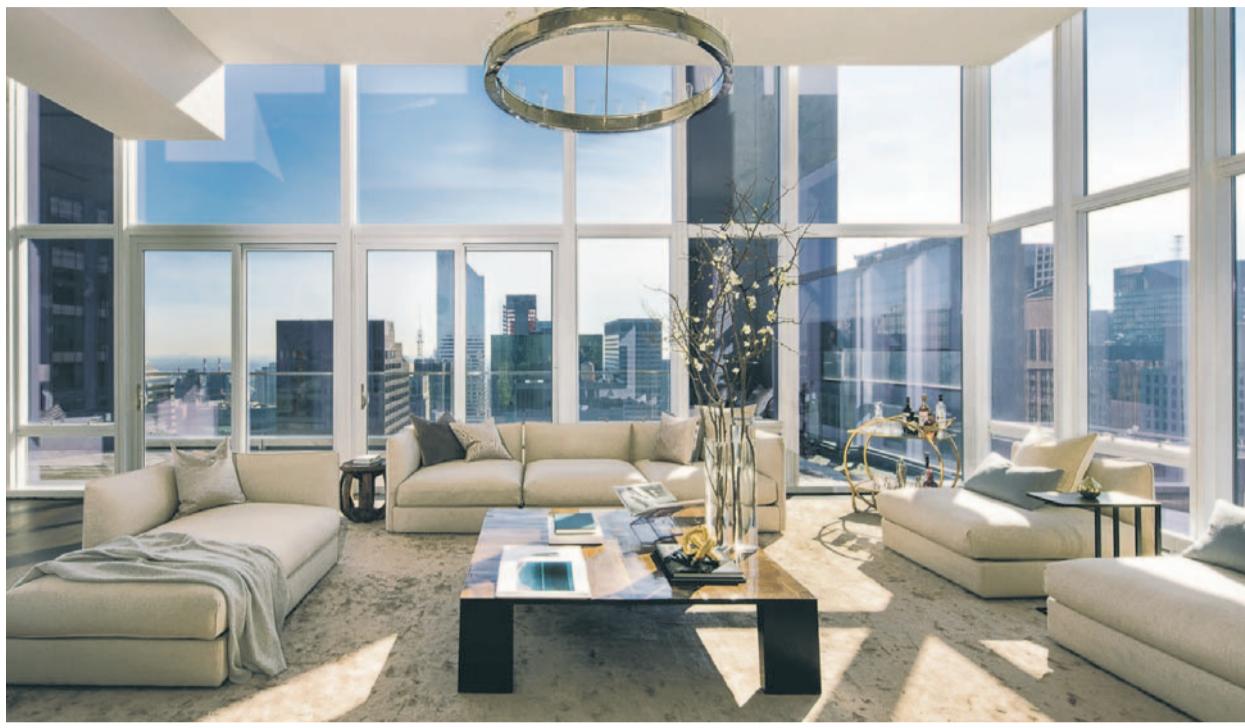
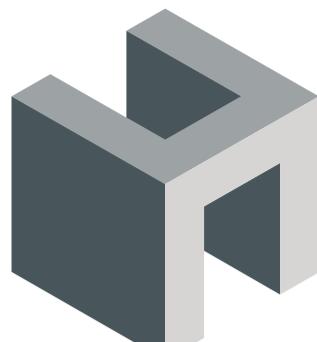
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\$39,995,000 | Web#17786904
Dina Scheinman 212.381.2319



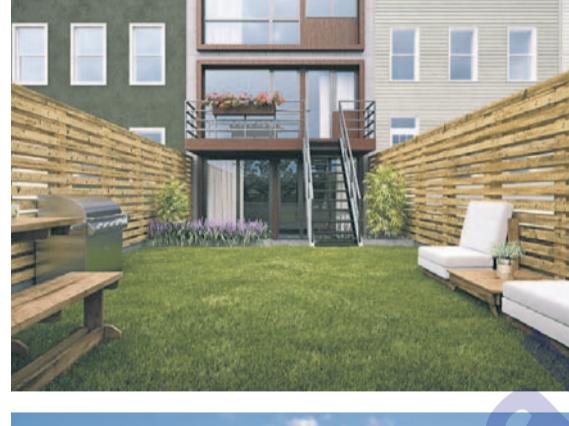
< Dumbo, Brooklyn, NY

Spacious Loft - Astounding Views
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Terrence LeRay 718.613.2057



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Robert Whalen 718.878.1801 | Jonna Stark 718.878.1807



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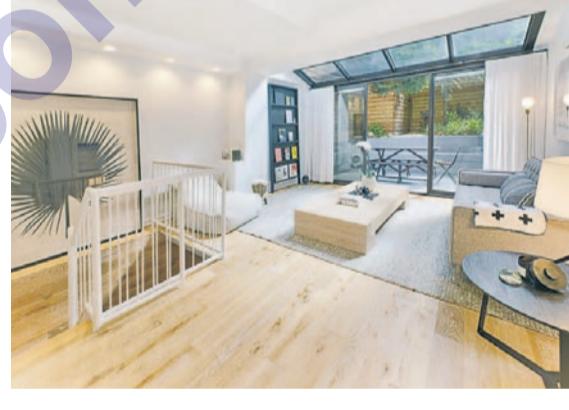
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Robert A. Brody 631.771.5316
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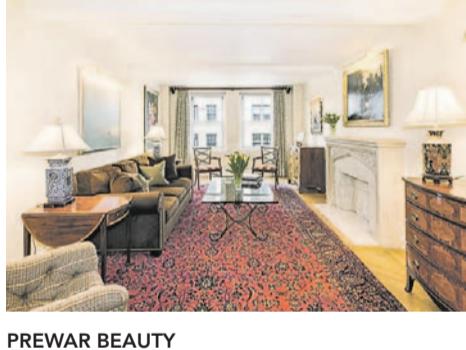
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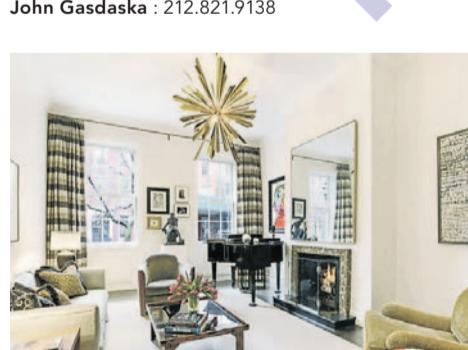
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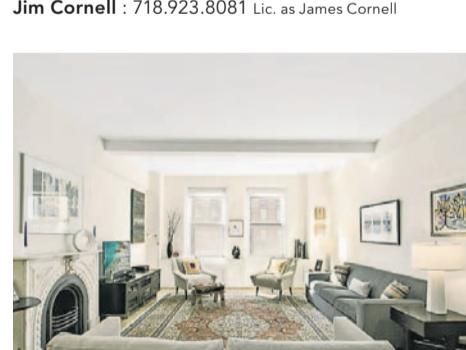


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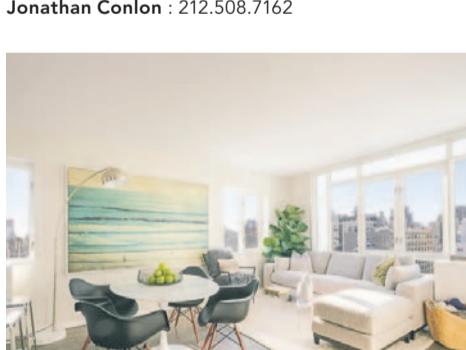


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MANSION

Buyers Seek Refuge in Hope Ranch

Continued from page M1

Winfrey, Rob Lowe, Ellen DeGeneres and Jeff Bridges, near-perfect weather and large estates on multi-acre lots with mountain and ocean views, Montecito is hard to replicate.

The closest alternative is Hope Ranch, a 1,863-acre development just up the coast from Santa Barbara. In "the Ranch," as locals call it, the air is perfumed with flowers, the palm trees look like they're from central casting and most houses are protected by electronic gates. The paved roads, which wind through pine and lemon trees, are practically empty except for people walking their dogs. It's eerily quiet: Planes don't fly in its airspace, and it's a good distance from the train tracks and Highway 101 that run through Santa Barbara.

As a result, the number of homes sold soared in March in Hope Ranch—up 133% from a year earlier, according to the Santa Barbara County recorder's office. The median sales price in Hope Ranch also jumped, up 21% to \$3.4 million. So far this year three homes in Hope Ranch have sold for over \$10 million, compared with two for all of last year and none in 2016.

"People are looking for a safer place to go," says Tim Dahl, a real-estate agent for Santa Barbara-based Compass. While Montecito is down the coast from Santa Barbara, with little space between the mountains and the sea, Hope Ranch is on the other side, with hills that separate it from the Santa Ynez range. As such, it's less vulnerable to the fires and mudslides, geologists say.

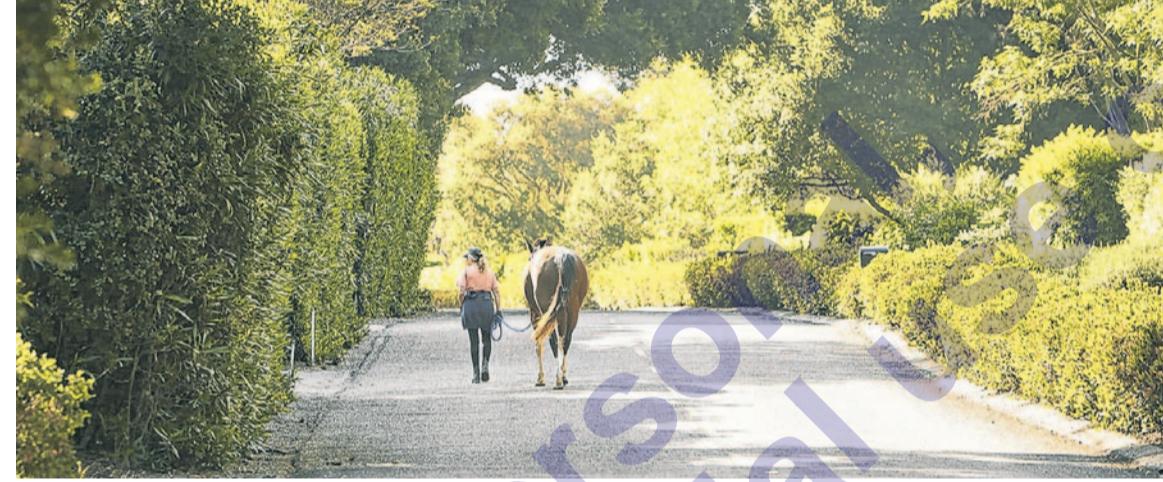
Michael Behrman, 59, a hand surgeon, and his wife, Sonia, 40, paid \$11.5 million in January for an 11,500-square-foot home in Hope Ranch. The couple didn't want to rebuild in Montecito after their home in the hills burned to the ground. They stayed for a week with their children at the home of one of Dr. Behrman's partners, who was then killed in the debris flow that swept down from the mountains in January. "It changed things in Montecito. It created a whole different emotional overlay," says Dr. Behrman.

On Monday, FEMA released the results of a new geological survey that shows which areas in Montecito can expect flooding in heavy rainfalls and how the debris flow altered base flood elevations. The survey affects where homes can be built and the required height off the ground. Dina Landi, a managing partner with Riskin Partners in Montecito, says even if people do rebuild, the process could take two or more years.

Meanwhile, says Adrienne



MEDITERRANEAN-STYLE ESTATE Hope Ranch homeowners Rene and Marisa Koke, seeking to downsize, have put their more than 7,000-square-foot home up for sale.



QUIET SPOT As people seek alternatives to Montecito, the median Hope Ranch sales price rose 21% to \$3.4 million.



MOVING ON Michael Behrman, a hand surgeon, and his wife, Sonia, didn't want to rebuild in Montecito after their home in the hills burned to the ground. They moved to this \$11.5 million Hope Ranch home instead.



Schuele, a real-estate agent with Compass, the situation has prompted more homes in Hope Ranch to go on the market. "People who were once considering selling are now selling," she says.

On a recent Sunday, Ed and Ann Richards were looking at a five-bedroom, six-bathroom Normandy-style estate on 2 acres that recently went on the market in Hope Ranch for \$7.3 million. The couple already live in the community but they were hoping to find a house for their son, who was due to be married soon and whom they hope to lure from Los Angeles.

Hope Ranch homeowners Rene and Marisa Koke put their 7,261-square-foot, five-bedroom, nine-bathroom house on 4.8 acres on the market with an asking price of \$15.25 million. Mr. Koke, who owns auto-body shops and rental homes, says they want to downsize within Hope Ranch.

Hope Ranch is a community as opposed to a town: There are no grocery stores, shops or restaurants, aside from the dining room at the local country club. The some 750 homes start at around \$2 million for a 3,500-square-foot ranch. A big draw is the 22 miles of bridle trails and a pristine private beach.

The Hope Ranch Park Homes Association, incorporated in 1924, enforces building restrictions, makes sure no one violates the minimum 30-day rental rule and runs a private patrol force that keeps cars from speeding and outsiders from lingering.

While this sort of community is what some people seek, others find the home association aspect somewhat stifling. And some people would never consider Hope Ranch a substitute, real-estate agents say. It doesn't have the gilded 93108 ZIP Code, and Oprah doesn't live there. Montecito is also 10 miles closer to Los Angeles, which can make a difference in high traffic, and has a good public high school, while Hope Ranch only has a private high school.

A bigger issue is whether second-home buyers will be scared away from the Santa Barbara area as a whole. "There are people who are saying, 'Maybe we'll buy something in Orange County instead,'" says Tony Giordano, president of L.A.-based luxury real-estate firm, the Opulent Agency.

Mr. Dahl from Compass dismissed that: Last week he sold for \$2.5 million the 4-acre lot in Montecito where Mr. Behrman's house burned.

MAP BY JASON LEE; PHOTOS: JOSHUA CURRY FOR THE WALL STREET JOURNAL (6)

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MANSION



Kitchens That Fit The Kids

Continued from page M1
is at eye-level," says Ms. Clark, a 41-year-old event planner who is currently a stay-at-home mom.

Now, when the children prepare Sunday morning pancakes for their parents, they need little supervision. Mixers are kept in a lower cabinet, a designated shelf holds child-friendly utensils and there's even a separate pantry area to store pancake mix and M&Ms—a favorite pancake topping.

In luxury homes—where the kitchen is often the centerpiece—more designers are being asked to create spaces especially for little family members. Many are installing convenient storage areas, accessible pantries, under-cabinet refrigerator drawers and discrete homework islands that still look sleek. The goal? To let the children cook simple meals, help with cleanup, and do crafts and homework without so-called helicopter-ing from adults. "It's under-the-radar," says Chicago-based kitchen designer Mick De Giulio. "It's not something that looks like a kiddie area."

After a request from parents who wanted their chil-

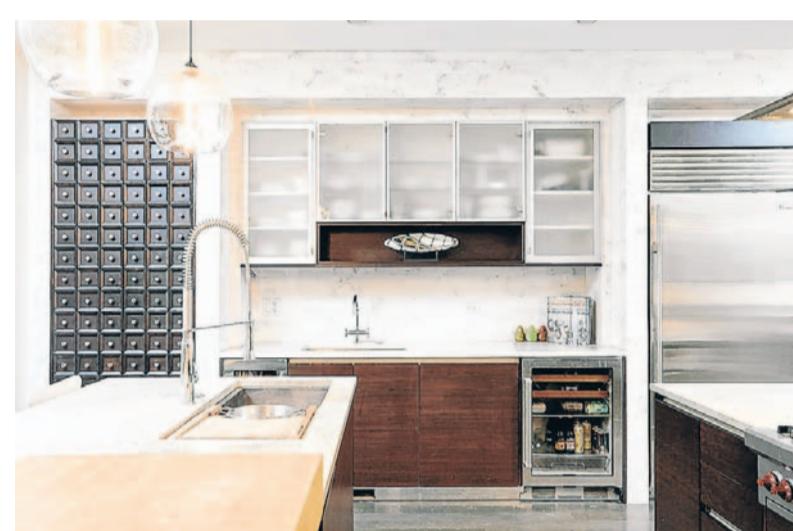
dren to make breakfast for themselves," Mr. De Giulio started designing what he calls a La Mattina or morning kitchen that is out of the way of the traditional kitchen work zone with the sink, refrigerator and range. With under-counter refrigerators, toasters, a microwave and racks for more durable dishes, the breakfast area allows both children and adults to make far more than just breakfast. A drawer with outlets for charging devices is also installed nearby, he adds.

When it comes time to sell, completely renovated kitchens add the highest amount of resale value compared with other upgrades, according to a survey of 2,031 members of the National Association of Realtors released last year. Nearly half of the respondents who completed a total kitchen remodel were looking for better functionality, according to survey results. Afterward, 90% of the respondents reported being happier in their home. Any kind of kitchen upgrade—whether to accommodate children or not—can have an impact on satisfaction with the home, adds Jessica Lautz, director of demographics and behavioral insights with NAR. "There's a major sense of accomplishment," she says.

When Chicago chef Craig Bell and his wife, Adrienne Fasano, were designing their kitchen with Mr. De Giulio four years ago, their 8-year-



KATRINA WITTKAMP FOR THE WALL STREET JOURNAL (4)



WITHIN REACH
Adrienne Fasano and Craig Bell, above, with their children Taylor, 16, and Halsted, 8, in the kitchen of their Chicago home. The space includes an under-counter refrigerator, left, and storage, right, that are easily accessible.



Interior designer Erin Pitts says she uses under-counter drawers, instead of doors, to create a child-friendly kitchen. "If you're 5 you can do a low drawer, and if you're 25 you can do a low drawer," says Ms. Pitts who worked with the Clarks and is based in Annapolis, Md. She's also careful to choose bar stools with washable fabrics that swivel to allow smaller legs to climb up or get down. Ms. Pitts encourages extra-wide countertops because children often climb up directly on the counter, especially during baking.

Please turn to page M7

old son, Halsted, was a top consideration. The new layout included under-counter refrigeration along with a bread drawer so he can make anything from french toast to scrambled eggs for weekend breakfast and a caprese salad for lunch. "All of the dishware is readily accessible," says Mr. Bell, who owns a catering company and restaurant.

Mr. Bell also stores appliances below the counter for blenders and other portable appliances, along with a beverage center within reach for his son but away from the main stove area. With the majority of items at counter height, Mr. Bell only keeps fine china, meat grinders, cocktail glasses and a prized Robot-Coupe, a professional-

grade food processor, out of arm's reach. A built-in cutting board helps prevent any temptation to use a knife directly on the counter, he adds. "Anytime he wants to bake a cake, he's able to pull out all the ingredients, a step stool and get up to the counter with a proper angle," says Mr. Bell, who has three older children.

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AVENGERS: INFINITY WAR IN THEATERS APRIL 2018

MANSION



PLAY SPACE Katie and Joe Raffetto in their Mill Valley, Calif., kitchen with children Will, Annie and Jack. The kitchen has a play area, left, with easy-to-clean finishes.

In some homes, she avoids bar counter overhangs, which make it harder for younger children to reach their meals.

Other homeowners are designing separate island areas to create discrete homework areas out of the way from the cooking, says Niki Serras, a Detroit-based supplier of Scavolini, an Italian cabinetry maker. Adding handles to "super modern" flat panel cabinets is another frequent request, she adds.

In her own Mill Valley, Calif., kitchen, interior designer Katie Raffetto, 35, designated

about half the space for her three children, who range in age from 1 month to 5 years old. As part of a 2017 home renovation, Ms. Raffetto turned the dining area of the kitchen into a play area. She used the built-in shelves to stash anything from paint to board games, and left space for the children to play in the center of the room.

Ms. Raffetto also added a children's dining table to the play area that suits the kitchen's modern aesthetic. To pull the space together, she added a sleek cowhide

rug under the miniature dining set. "Because [the rug] is so durable, they can get Play-Doh and paint on it, and it's super easy to clean," says Ms. Raffetto. For more formal occasions, the family uses a traditional dining room around the corner from the kitchen, she adds.

In the kitchen play area, the children have their own dishes, utensils and even a play coffee machine to mimic their parents' morning coffee ritual. "On some days, they are running through here with a shopping cart," she says.



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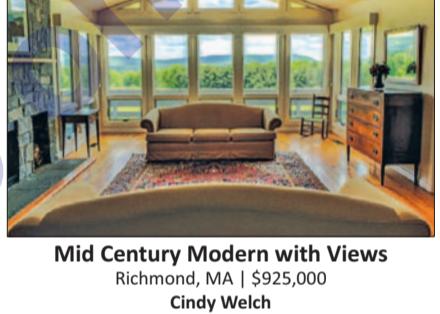
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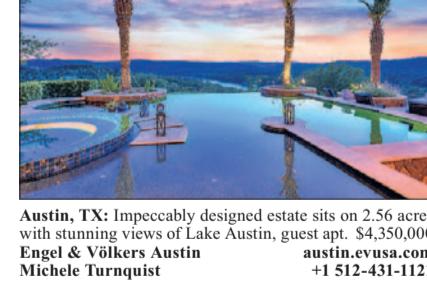
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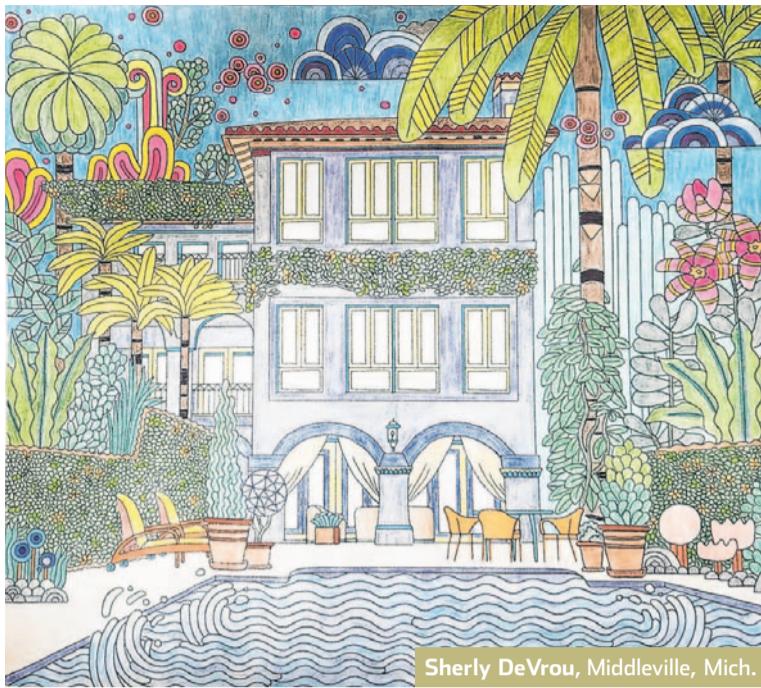
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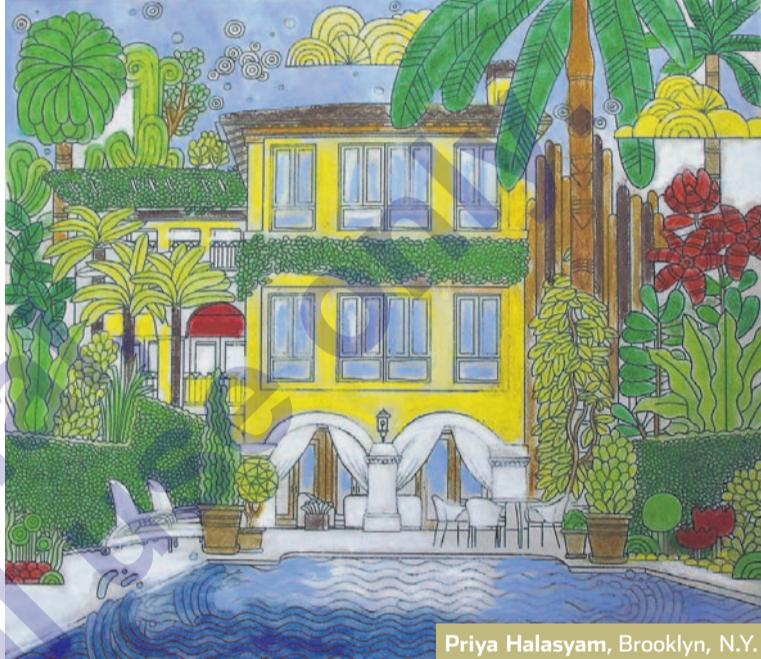
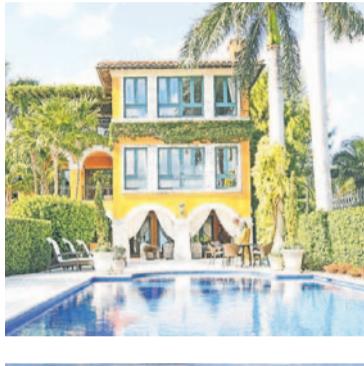
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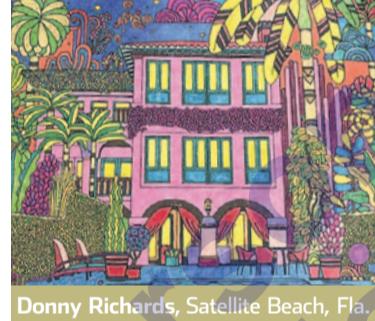
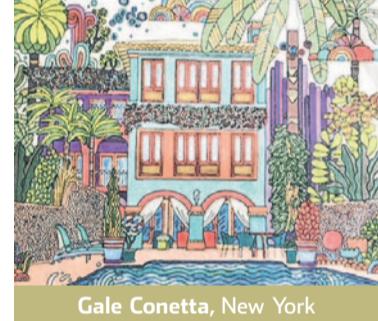
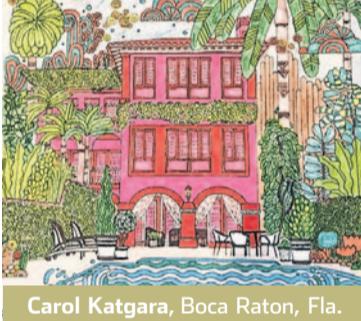
THE JUNE 1 Mansion section featured the world of real-estate coloring books for adults.

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Here is a sampling of the submissions. For more, go to wsj.com/realestate.



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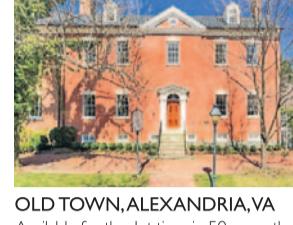


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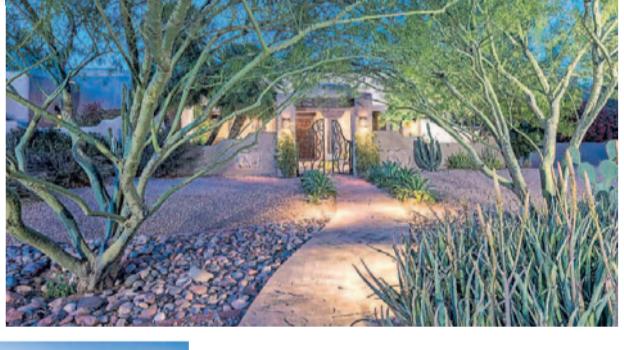
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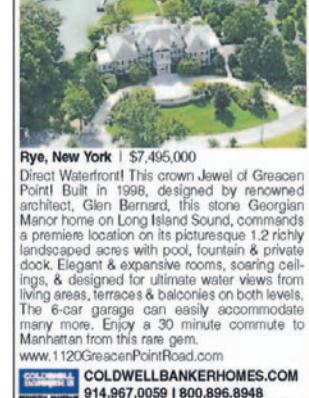
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MANSION

PRIVATE PROPERTIES

San Francisco Home With Views Is Listed For \$30 Million

A house in the most exclusive part of San Francisco's elite Pacific Heights neighborhood—steps away from a pocket known as Billionaire's Row—is going on the market for \$30 million.

The house has 9,700 square feet on five floors, with views of the Golden Gate Bridge and Alcatraz. It features a living room with a retractable skylight, right, and a large terrace overlooking San Francisco Bay, plus six bedrooms and 8½ bathrooms. Renovation also included a seismic retrofit.

Real-estate developer Enrique Landa bought the property for \$12.5 million in 2015 to redevelop it, he said. The previous sellers were Vanessa and William Getty, a grandson of J. Paul Getty, the oil baron, according to public records. "I would go running past this house and I thought it was a unique opportunity," because it was detached on all

sides and on a corner lot, said Mr. Landa, 40, who is a partner at Associate Capital, a real-estate development firm in San Francisco. This house is his own project.

Roughly a dozen houses have sold in the \$30 million range in San Francisco's history, said Val Steele, an agent with Pacific Union International who isn't connected to this property. Last year, she sold an off-market listing for \$38 million—a city record, she said. "There is depth to the buyer pool" in this price range, said Ms. Steele, provided the home is newly renovated with either "land and/or views" to justify the price.

The listing agents are Ludovico Mazzola and Michelangelo Mazzola of Compass. —Katy McLaughlin

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MANSION

HOUSE CALL | CHARLEY PRIDE

From Would-Be Pitcher to Famous Singer

The Grammy-winning country-music artist began by emulating Grand Ole Opry radio stars

My childhood home in Sledge, Miss., wasn't painted any color. It was a shotgun house made of wood planks and a tin-top roof that sat on cinder blocks. It was shelter and a place to sleep.

I was the fourth of my mother's 11 children—eight boys and three girls. Growing up, we slept three and four to a bed.

My father, Fowler, was known to everyone as Mack. When I was young, he was a sharecropper, which meant that half or more of the crop we picked went to the landowner. We picked mostly peanuts, corn and cotton.

In the late 1940s, my father shifted to renting farmland from Allen Putnam, a black man who owned 120 acres of cotton. He agreed to rent us 40 acres. Whatever cotton we baled was ours. I picked cotton until I was 15.

To look at my father, you'd never know how strong he was. He had a fourth-grade education, but I learned a lot from him. My mother, Tessie, had a sixth-grade education, but it was as if she had two college degrees. The best piece of advice she gave me was "love beats everything."

At home, we listened mostly to country music on the radio. We could pick up broadcasts from the Grand Ole Opry in Nashville. The music affected me tremendously.

I started singing country as a little kid. I couldn't read music, but I could emulate singers on the radio and animals on the farm. Mr. Putnam called me "Mockingbird."



I never viewed country as white music. The songs were stories about the good times and bad that all people experienced.

But there was plenty of racism. For a time, I worked for a company that installed butane tanks. One day, the guy working the gas pipes under a house stuck his head out and asked me for a specific wrench.

When I gave him the wrong one, he used the N-word. I wanted to smack him in the head. I could hear my mother's teaching: "Don't you do that, Charley." I didn't, but the next day I quit.

When I was 14, I saved enough picking cotton to buy a \$14 Sears, Roebuck Sil-

vertone guitar. I left it outside in a wagon overnight and it rained. After that, I never could keep it in tune.

Music was just a hobby then. When I saw Jackie Robinson play one summer in the late '40s, I realized baseball was my way out of the cotton fields.

In the early '50s, I pitched for a semipro team in Iowa and then the Negro American League's Memphis Red Sox. In 1953, my mother signed to let me to play for a Class C farm team of the New York Yankees.

In 1954 while playing for the Louisville Clippers, I was traded along with another player to the Birmingham Black Barons so the Clippers



RHINESTONE COWBOY Charley Pride, above, at his Dallas recording studio, and, left, at age 11 in Sledge, Miss.

could buy a used bus. I returned to the Memphis Red Sox in 1956.

My mother died that year, when I was 22. Thinking about that day still makes me cry. My father once said, "Son, your last name means something. Remember that." I always did.

Whenever I was just about to make it as a baseball player, I wound up injured. Back at home, Mr. Putnam said, "Have you ever thought that no matter how good a ballplayer you are, you're on this planet to sing?"

After a New York Mets tryout didn't work out in '63, I stopped

off in Nashville and met Jack Johnson, who became my manager. In '66, I was signed to RCA.

As a singer of country music, I never experienced racism in an audience. Once I opened my mouth, people didn't care if I was green, purple or yellow.

Today, my wife, Rozene, and I live in Dallas. My home isn't a mansion, but it's a long way from Sledge. I have a nice pool, but I've almost drowned three times in my life, so I just dangle my feet in the water.

Years after I became successful, I returned to Sledge and found out

Mr. Putnam was mortgaged to the hilt on his land. He had been like a second daddy to me. I went to see him. I said I'd be happy to buy 119 acres from him. He agreed and kept 1 acre to pass along to his oldest son.

—As told to Marc Myers

Charley Pride, 84, is a country singer who recorded 29 No. 1 Billboard hits and is a three-time Grammy winner and Grammy Lifetime Achievement Award recipient. His latest album is "Music in My Heart" (Music City).

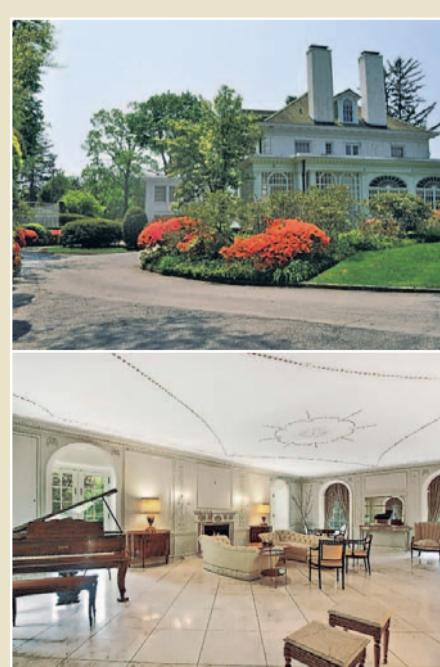
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