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What's News

Business & Finance

McDonald's said it would cut layers of managers, part of a plan to shrink expenses as it struggles to revive its burger business. **A1**

◆ A probe into a fatal crash involving Tesla's driver-assistance feature confirmed the driver's hands weren't on the wheel before impact. **B1**

◆ WPP's chairman is pushing for an overhaul of the advertising company now that ex-CEO Sorrell has left. **B1**

◆ Facebook blamed a bug for making posts public in May—regardless of whether users intended to do so. **B1**

◆ The IMF and Argentina reached an agreement for a \$50 billion credit line to aid the country's economy. **A8**

◆ U.S. household net worth passed the \$100 trillion mark for the first time. **A2**

◆ Copper prices leapt to nearly their highest level in over four years amid a rally in the industrial metal. **B1**

◆ The Dow rose 95.02 points to 25241.41, a nearly three-month high, but other stock indexes lost ground. **B10**

◆ China formalized a plan for its big technology companies to trade on the nation's stock market. **B10**

◆ Google said it won't allow its artificial-intelligence products to be used in military weapons. **B4**

◆ The OCC concluded that other banks didn't have systemic issues like Wells Fargo's phony-account scandal. **B9**

◆ Big oil firms offered over \$800 million to Brazil to explore offshore fields. **B5**

World-Wide

◆ The White House said Trump would leave the G-7 summit earlier than planned, as a dispute erupted between the president and two of America's closest allies over the U.S.'s trade stance. **A1**

◆ The Justice Department won't defend major provisions in the ACA and is asking a federal court to strike down key elements of the law. **A1**

◆ Trump acknowledged that next week's summit with Kim would only be the beginning of a long diplomatic process with North Korea. **A6**

◆ The administration announced a deal to prevent ZTE's collapse, but a bipartisan group of China hawks in Congress is moving ahead with a bid to scuttle it. **A10**

◆ A veteran Senate staffer has been indicted as part of a probe related to unauthorized disclosure of classified information. **A4**

◆ A watchdog report expected to criticize the Justice Department's handling of the Clinton email probe will be released next week. **A4**

◆ The Justice Department offered lawmakers a new briefing about the FBI's use of a confidential informant during its Russia probe. **A4**

◆ Putin has asked Austria's chancellor to organize a meeting with Trump in Vienna this summer. **A9**

◆ Iraqi authorities moved to conduct a recount of votes in May's national elections. **A8**

◆ The Washington Capitals won the Stanley Cup, beating the Vegas Golden Knights. **A14**

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Explosions Hit Iraq's Capital as Political Uncertainty Deepens



ON EDGE: Iraq's premier ordered a probe into blasts that killed at least 18 in Baghdad's Sadr City, a stronghold of Shiite cleric Moqtada al-Sadr. Iraqi authorities have moved to conduct a recount in parliamentary elections that delivered a surprise victory for Mr. Sadr. **A8**

Trump to Exit G-7 Summit Early

By VIVIAN SALAMA

NORTH KOREA'S leader, Kim Jong Un Tuesday."

The statement didn't mention the president's escalating feud with the leaders of Canada and France late Thursday. Mr. Trump had signaled before the summit that he would continue his aggressive trade agenda and tariff policies, leaving some observers worried about the impact of fractured relations between longtime allies.

French President Emmanuel Macron, who until now has

been Mr. Trump's closest ally in the European Union, said the U.S.'s newly announced steel and aluminum tariffs against the European Union and Canada are pushing the six remaining nations of the G-7 to become a force of their own.

"You say the U.S. president doesn't care at all. Maybe, but nobody is forever," Mr. Macron told a news conference flanked by Canadian Prime Minister Justin Trudeau in Ottawa on Thursday. "The six countries of the G-7 without the United

States are a bigger market taken together than the American market. There will be no world hegemony if we know how to organize ourselves. And we don't want there to be one."

Mr. Macron later reiterated those sentiments on Twitter, saying: "The 6 countries represent values and an economic system which has a historical

Please turn to page A6

◆ Trump sees long process on North Korea..... A6

'Get Moving': President Goads Advisers

After tumultuous debate within the White House, Trump turned toward tariffs on China

President Donald Trump, fed up with hearing he was weak on China, assembled his senior trade team at the White House on May 22 and vented, according to officials who were involved. He wanted a tougher approach,

including tariffs he could use as a weapon to force trade concessions.

By Bob Davis
and Peter Nicholas
in Washington and
Lingling Wei in Beijing

Treasury Secretary Steven Mnuchin, who favored a milder approach, had spent months maneuvering to become the administration's point person on talks with China. Now, along with his administration rivals, he was getting a dressing down, the officials say.

◆ A watchdog report expected to criticize the Justice Department's handling of the Clinton email probe will be released next week. **A4**

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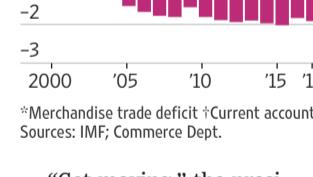
◆ Iraqi authorities moved to conduct a recount of votes in May's national elections. **A8**

◆ The Washington Capitals won the Stanley Cup, beating the Vegas Golden Knights. **A14**

The Politics Of Trading

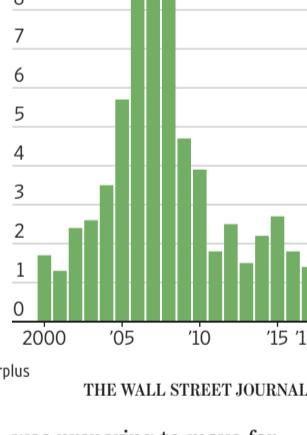
China's trade surplus with the U.S. continues to rise, while its global trade surplus has been shrinking.

U.S. trade deficit with China*



*Merchandise trade deficit †Current account surplus
Sources: IMF; Commerce Dept.

China's global trade surplus†



†Merchandise trade deficit †Current account surplus
Sources: IMF; Commerce Dept.

would impose tariffs on steel and aluminum imports and threatened to do the same on imports of autos.

"The person in charge of trade is, unequivocally, President Trump," says National Economic Council Director Larry Kudlow. "Anyone who tells you different is just wrong."

The abrupt turn to tariffs, after several weeks during which tensions were easing, was the public manifestation of a tumultuous decision-making process taking place inside the White House on trade, Mr. Trump's signature economic-policy issue of 2018.

Aides have cursed at one another in front of Mr. Trump as they struggle to reconcile

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◆ U.S. lawmakers take aim at Chinese tech firms..... A10

DOJ Says It Won't Defend Health Law

The move comes in a suit brought by state attorneys general over provisions in the ACA

By STEPHANIE ARMOUR

The Justice Department won't defend major provisions in the Affordable Care Act and is asking a federal court to strike down key elements of the law, a blow to the health law and the stability of the individual insurance market.

The department, in a brief it filed Thursday in a lawsuit brought by 20 state attorneys general, asks the court to halt ACA protections that Republicans in Congress sought to preserve when they attempted to repeal the health law.

The provisions targeted by the Justice Department include the bans on insurers denying coverage and charging higher rates to people with pre-existing health conditions. The department is also seeking to roll back limits on how much insurers can charge people based on gender and age.

The decision to attack the ACA in this way involves a legal, political and policy gamble by the Trump administration, suggesting how much the president still wants to dismantle his predecessor's signature health law after a failed ACA repeal effort by Republicans a year ago. The move could rattle the insurance markets and shake up the GOP message on health care months before the midterm elections.

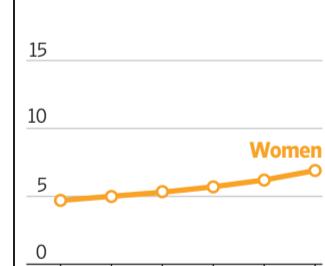
Attorney General Jeff Sessions, in a letter to congressional leaders, said the department won't defend the

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Suicide Rates Continue Rise

U.S. numbers are climbing for both men and women. **A3**

Suicides per 100,000 people



Source: Centers for Disease Control and Prevention

THE WALL STREET JOURNAL.

Struggling McDonald's Plans to Trim Management

By JULIE JARGON

McDonald's Corp., battered by price wars and struggling to revive its U.S. burger business, said it will cut layers of managers as part of a half-billion-dollar plan to shrink administrative expenses by the end of next year.

The latest reorganization comes as the fast-food chain has been working to turn around its crucial U.S. division for more than three years.

The fast-food market has become increasingly competitive as rivals have come out with aggressive deals to attract customers. McDonald's has been losing market share to other chains and has lost the loyalty of some of its most cost-conscious guests, according to analysts.

In an email message to all

It's Tight at the Museum With 20 Million Parasite Specimens

Smithsonian's natural history branch

struggles to find space for world's stuff

BY DANIEL NASAW

SUITLAND, Md.—Cramming that box of your grown child's swim trophies in the attic next to the crate of punk rock LPs from college may push your storage capacity to the limit. Try finding a place for a 27-foot-long native Alaskan boat.

Archaeologists at the Smithsonian Institution's National Museum of Natural History in Washington scored the coveted piece from the University of Oregon last year—and stowed it on a shelf near an even larger Kwakwaka'wakw dugout canoe from Vancouver Island, a taxidermied dog and an Asmat totem pole from New Guinea.

"We're essentially full," said

J.R. Smith, who manages the Natural History museum's storage and research facility in a Washington, D.C., suburb.

The National Museum of Natural History is wrestling with a swelling trove of stuff: among them cryogenically frozen samples of frog livers, and 20 million human and animal parasite specimens.

More than 100 years after its establishment, one of the world's largest natural history museums is facing a space crunch as it expands its priceless collection of more than 145 million items, which includes thousands of human skeletons, countless stuffed mammals, birds and other vertebrates, indigenous cultural artifacts

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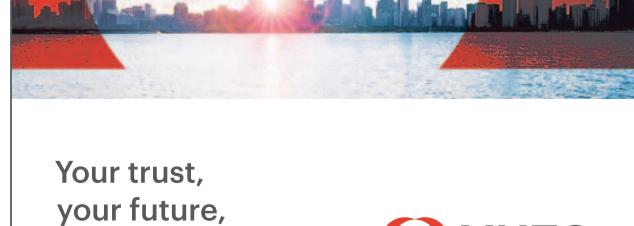
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U.S. NEWS

Workers Unmoved by Gig Economy

BY ERIC MORATH

The emergence of the gig economy in the past decade has scarcely changed the U.S. labor market, according to newly released government data.

Anyone who has taken an Uber, noticed a contractor working alongside them or taken a temp job to make ends meet might say the nature of work is shifting. However Labor Department figures released Thursday don't support this notion.

The share of workers who are independent contractors was 6.9% in May 2017, down from 7.4% in February 2005, the last time the Labor Department's Bureau of Labor Statistics released its survey.

The broadest measure of the share of workers who are contingent—meaning they

don't expect their jobs to last more than an additional year—was 3.8% last year, down from 4.1% in 2005.

"It's a little surprising that things haven't changed more," said Lucas Puente, economist at Thumbtack, a San Francisco company with an app that connects professionals such as graphic artists and personal trainers to gigs. "That was counter to what I was expecting."

However, Mr. Puente's analysis of the Labor data showed a large increase in such contractors working in transportation—think Lyft drivers—and professional and business services, which would capture many on platforms like Thumbtack. Use of independent contractors fell sharply in construction, retail and finance.

The data overall showed more than 90% of American workers held traditional jobs, meaning workers were on the payroll of the firm for which they performed work.

"This should throw some

Use of independent contractors fell sharply in construction, retail and finance.

cold water on those hyping the explosion of freelancing and the rapidly changing nature of work," said Lawrence Mishel, a liberal-leaning economist at the Economic Policy Institute. "Freelancing and gig work are not taking over."

The falling share of workers doing contingent work shows the "American workforce was more secure in their jobs," a spokesman for Labor Secretary Alexander Acosta said.

The survey came with some major caveats. It asked only about a worker's "main job," meaning someone moonlighting on Task-Rabbit wouldn't show up. And workers needed to do the work in the past week to count.

A separate study by the JPMorgan Chase Institute found that in 2015, only 33% of those participating in online platforms, such as Uber and Airbnb, earned the majority of their income through such apps and sites.

Many workers who are often viewed as contractors

aren't under the survey's definitions. For example, Google parent **Alphabet Inc.**, uses tens of thousands of temps, vendors and contractors, but most of those workers are employees of a contracting firm—not going it alone, and thus not independent. And many may expect their job to last more than a year, so they aren't contingent.

Thursday's data also suggested that independent contract workers are happy, with 79% saying they preferred their current arrangement to traditional work.

However, 55% of workers who expected their employment to end in less than a year said they would prefer traditional jobs. Those workers earned less and tended to be younger than the traditional workforce.

Household Wealth Reaches Milestone

BY HARRIET TORY

Americans' wealth surpassed the \$100 trillion mark for the first time in early 2018, as rising home prices offset the hit to households' assets from a stock-market swoon in the first quarter.

Household net worth—the value of all assets such as stocks and real estate minus liabilities like mortgage and credit-card debt—rose by 1% from the previous quarter, or more than a trillion dollars, to a record \$100.768 trillion, according to a report released by the Federal Reserve on Thursday.

Still, that increase in wealth was considerably less than the roughly \$2.5 trillion by which U.S. households saw their net worth rise in the final quarter of 2017.

Households' net worth was close to seven times their disposable personal income in the first quarter, at 683%. That was a slight cooling from the fourth quarter of 2017, when it hit 685%, but remains well above the earlier prerecession peak of about 650% in 2006.

The slower pace of wealth accumulation in early 2018 was largely due to stocks' rocky first quarter. Investors' worries about whether growing inflation would lead to higher short-term interest rates coupled with concerns about international trade tensions pushed the S&P 500 and the Dow Jones Industrial Average into declines for the quarter.

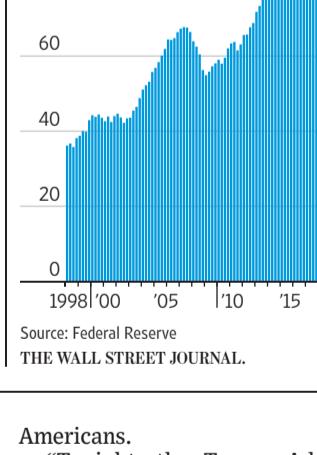
Yet the pullback in the stock market was offset by rising property valuations. The value of households' real estate rose by \$489.6 billion, reflecting continuing increases in home prices. They rose 1.7% in the first quarter, according to the Federal Housing Finance Agency's house-price index.

The data on household net worth includes assets held by nonprofits, although nonprofits make up a relatively small proportion of household wealth. The report presents its data only in aggregate, providing no details of how assets are distributed among households.

In addition to the buffer from home equity, households have \$9.493 trillion in deposits, which include checking and savings accounts and certificates of deposit.

New Heights

Household net worth



A Museum Struggles For Space

Continued from Page One
from around the globe and a massive shed full of pungent whale bones.

"It's easy to step back and say, 'These people are out-of-control hoarders,'" said Torben Rick, chairman of the museum's anthropology department. "The reality is, no, we're keeping this stuff for very important reasons."

Less than 1% of the museum's collection is on display; much of the rest is at the Museum Support Center—boxy buildings with windowless facades that provide 735,000 square feet of storage, office and laboratory space, about 6 miles away from the stately museum building on the National Mall.

If the U.S. government needed a place to store the Ark of the Covenant after Indiana Jones rescued it from the Nazis in "Raiders of the Lost Ark," it would likely wind up at the Museum Support Center. The museum staff claim they don't have the ark, but they hear about it enough that they keep a miniature model on hand to joke with the occasional VIP visitor.

The collections staff roll their eyes when visitors liken the facility to America's attic. "This is not an attic," said Carol Butler, assistant director for collections. "It's planned, it's organized, it's orderly."

It's a cross between a library and a science lab: vast ranges of locked cabinets of curios, tall shelves of sea creatures preserved in jars, and rows of giant artifacts hidden under flame-resistant covers.

The Natural History Museum's research mission effectively demands it hold objects in perpetuity, so it probably won't sell or give away its extra elk skulls, nor its jars of bristle worms preserved in alcohol.

The Smithsonian Institution—which in addition to the Natural History museum includes the National Air and Space Museum, the new National Museum of African American History and Culture—needs about 340,000 more square feet for objects it already possesses and stores



Blue whale jawbones in a shed at the Museum Support Center in Suitland, Md. Below, J.R. Smith, the manager of the site.



on floors or crams onto shelves and into stuffed cabinets, according to a report.

The Smithsonian anticipates it will need an additional 12,000 square feet of storage space every year to house new collections.

The Museum Support Center has a 125,000-square-foot storage unit for its "wet collection" of 25 million specimens pickled in fluids, including parts of several gorillas and chimpanzees, a giant octopus and squid, sea sponges, and jars of shrimp and crabs.

A 16.5-ton section of fossilized tree sits on a dolly against a wall in a shed it shares with

the museum's collection of whale bones. The National Parasite Collection, which includes millions of specimens of lice, mites, nematodes, protozoans, ticks and other critters, arrived from the Agriculture Department in 2014. Preparations are under way to house a giant collection of fossils from the U.S. Geological Survey.

To accommodate that, the Museum Support Center is renovating a 10,000-square-foot office space, ripping out cubicles and furniture.

Curators are happy to accept more than one specimen of a given item. That helps explain the two dozen gut-skin

native Alaskan parkas, nine Polynesian bird feather capes, about a dozen gray whale skulls, six dozen extinct passenger pigeons (whole or parts), more than 10 indigenous Mexican violins, hundreds of traditional African hunting and fighting spears, at least two elephant skulls collected by Theodore Roosevelt, seven or eight intact Egyptian mummies.

"Why have one when you can have 50?" asked Dr. Rick, one of the drivers of the effort to acquire the Alaskan boat, known as an umiak.

The half-century-old boat, made of walrus skin stretched

until early summer or late fall."

The Supreme Court ruled in a landmark 2012 opinion that the health law, and specifically the requirement that Americans have health insurance, was constitutional because the penalty for not having coverage was handled by the Internal Revenue Service and fell within Congress's taxation powers.

But Congress repealed the penalty for not having insurance last year. GOP attorneys generals are arguing in the lawsuit that the ACA and its mandate is unconstitutional now that Congress has repealed that tax-based penalty.

The Justice Department agreed with that stance in its brief in asking the court to halt certain ACA provisions.

That case, filed in federal district court in the Northern District of Texas, focuses on the individual mandate, which is the ACA's requirement that most people have health coverage or pay a penalty. Congressional Republicans late last year ended the penalty starting in 2019, but the requirement to have insurance technically remains. It is unenforceable without a penalty, however.

The Justice Department said certain ACA provisions, such as banning insurers from denying coverage to people with pre-existing conditions, are invalid as of Jan. 1 with the mandate repeal.

The U.S. agreed with the plaintiffs that sections "must now be struck down as unconstitutional," according to the Justice Department brief.

Mr. Sessions, in the letter to congressional leaders, said: "The department in the past has declined to defend a statute in cases in which the president has concluded that the statute is unconstitutional and made manifest that it should not be defended, as is the case here."

Democrats quickly decried the move as an improper action likely to harm numerous

Americans.

"Tonight, the Trump Administration took its cynical sabotage campaign of Americans' health care to a stunning new low," House Minority Leader Nancy Pelosi said in a statement. "Once again, Republicans are trying to destroy protections for Americans with pre-existing conditions."

Sixteen states and the District of Columbia sought to intervene in the case to defend the ACA. The court has granted their request.

The department didn't say other aspects of the ACA, such as its expansion of Medicaid and its exchanges, should be halted.

For insurers, the Trump administration stance changes nothing immediately, but raises the likelihood of yet another year of far-reaching uncertainty in the ACA markets.

—Anna Wilde Mathews and Jess Bravin contributed to this article.

CORRECTIONS & AMPLIFICATIONS

In an opinion poll last month, Italy's 5 Star Movement received 30% support, compared with 32% of the popular vote in the March 4 election. A May 30 World News article about Italian politics incorrectly said the party obtained 30% of the popular vote in the election.

In a Capgemini survey, 29% of respondents said it would take their companies three to six months to be completely ready for Europe's new privacy law. A graphic with a May 25 Page One article about the law incorrectly said 29% said it would take two to six months.

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

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DOJ Won't Defend Health Law

Continued from Page One

constitutionality of provisions in the ACA and the decision was made with the approval of President Donald Trump. It is highly unusual for the Justice Department not to back a federal law, though the Obama administration took a similar approach with the Defense of Marriage Act.

"Of all the things the Trump administration has done to destabilize the market, this may be the most major," said Timothy Jost, an emeritus professor at Washington and Lee University in Lexington, Va. "What's an insurer that is setting rates now supposed to do, because the court will not have a decision

until early summer or late fall." The Supreme Court ruled in a landmark 2012 opinion that the health law, and specifically the requirement that Americans have health insurance, was constitutional because the penalty for not having coverage was handled by the Internal Revenue Service and fell within Congress's taxation powers.

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U.S. NEWS

Old Spy Plane Tries to Learn New Tricks

Air Force seeks to use artificial intelligence to expand analysis of images from the U-2

BY MICHAEL M. PHILLIPS

BEALE AIR FORCE BASE, Calif.—Six decades after the U-2 flew its first mission, the military is trying to harness artificial-intelligence technology to enhance the venerable spy plane's combat reconnaissance capabilities.

U.S. Air Force reconnaissance experts have enlisted Stanford University engineering and business students to develop advanced computer programs to analyze the old-style Kodak film currently used by U-2s over Afghanistan, Iraq, Korea, Syria and other hot zones.

If successful, computers would quickly scan U-2 film

and count cars, airplanes, motorcycles, buildings and even individual people, tasks now performed painstakingly by analysts using eye loupes and illuminated screens.

"Our analysts are already saturated with data—too much imagery, too few analysts and too little time," says Air Force Col. Jason Brown, commander of the 480th Intelligence, Surveillance and Reconnaissance Wing. "Imagine if an algorithm could sweep through the data to cue analysts on potential areas of concern. Airmen could spend less time searching and more time making sense of the things they see."

The U-2 spy plane first became operational in 1957 under the aegis of the Central Intelligence Agency. In 1960, U-2 pilot Francis Gary Powers was shot down while taking photographs over the Soviet Union, sparking an international incident.



A U-2 spy plane landing at Beale Air Force Base in California. The aircraft first became operational under the CIA in 1957.

dent. In 1962, U.S. Ambassador Adlai Stevenson unveiled U-2 images at the United Nations to prove the Soviets had installed missiles in Cuba.

Six decades later, updated U-2 planes—part of a 30-plane fleet now flown by Air Force pilots—conduct combat missions over Afghanistan, Syria and Iraq, as well as performing humanitarian surveillance.

The planes brought back images of floodwaters unleashed by Hurricane Katrina in New Orleans in 2005 and of damage caused by the 2010 Haiti earthquake.

U-2s can carry modern elec-

tronic sensors, which are mostly used when analysts know roughly where their quarry is located.

But wet-film cameras still outperform other surveillance gear by delivering crisp images from above 70,000 feet, where the pilot can see land for 250 miles in any direction. The cameras can distinguish objects just 8 inches apart, providing sufficient clarity for analysts to read the identification numbers on the wing of a parked airplane or count the number of people at a camp.

"You can cover almost all of California in four hours," says one senior U-2 pilot, who goes by the call sign Sharkey. "It maps the entire terrain."

U-2s photograph all of Afghanistan every month or so.

A typical flight generates a 200-pound, two-mile-long roll of film, which is shipped by FedEx to Beale Air Force Base. Technicians there develop the film, and analysts search for information that could prove useful for longer-term military planning.

Given time and staff constraints, however, humans can read only about 5% of the images the spy planes capture. "If you've got the whole state of California, how do you look at all those images?" says Command Master Sgt. Ian Eishen, of the Air Force's 9th Intelligence Squadron. "You don't."

The Air Force is hoping computers can learn to scan digitized images of the wet film and identify and count cars, trucks, boats, planes, mo-

torcycles, buildings and people on the ground.

If the artificial-intelligence effort is successful, for instance, the computer could spot and measure an increase in activity in a particular area, freeing up human analysts to think about whether that activity constitutes a threat to allied ground forces or an opportunity for offensive action.

Images taken by advanced digital sensors are usually classified. Pictures taken from the U-2's film camera aren't classified, allowing the Air Force to share them with engineering students, even those

from foreign countries.

This spring, Stanford students working with Air Force experts developed a prototype of an automated system to read the U-2 imagery, through a class called Hacking 4 Defense. The Air Force expects to test the system in the coming months.

The defense class is now offered at 11 universities, from Georgetown to Boise State, and each group of students undertakes its own defense-related technology challenge.

THE VIEW FROM 70,000 FEET
Watch a video of the U-2 spy plane in flight..... WSJ.com



Images of Afghanistan taken from a U-2. The planes photograph the entire country about every month.

Suicide Rates Rise Across the U.S.

BY JEANNE WHALEN

Suicide death rates have risen significantly in most states since the late 1990s, with 25 states recording increases of more than 30%, the Centers for Disease Control and Prevention said.

The rates rose in men and women and across all age and ethnic groups, propelled by mental illness, substance-use disorders, financial hardship and relationship problems, the CDC said. Death by firearm was the most common method of suicide, accounting for 48.5% of cases.

Overall nationwide, the suicide rate rose by nearly 30%

over the studied time period, 1999 to 2016.

"This analysis should be a call to action for all states to intensify their focus on implementing suicide-prevention policies and programs that have the strongest potential for helping save the most lives," said Jeff Bridge, director of the Center for Suicide Prevention and Research at Nationwide Children's Hospital in Columbus, Ohio.

Calls for better suicide-prevention efforts have surged this week in the wake of the apparent suicide of fashion designer Kate Spade in New York. Her family has said she suffered from depression and anxiety.

The CDC said the point of its analysis was to look at suicide data at the state level to help states understand the problem within their borders, and to help them reach the national goal of reducing the annual suicide rate by 20% by 2025. That goal was established by the National Action Alliance for Suicide Prevention and the American Foundation for Suicide Prevention.

The CDC analyzed data for suicide deaths in people aged 10 and older. Over the study period, rates increased in all states except Nevada, the CDC said. Percentage increases ranged from 5.9% in Delaware

to 57.6% in North Dakota.

Data from 27 states in 2015 showed that 54% of those who died from suicide weren't diagnosed with a mental-health condition, the CDC said.

"We have a long way to go to strengthen our community and health systems to make sure when someone is at risk we get them to care," said Jerry Reed, an executive committee member of the National Action Alliance for Suicide Prevention.

The alliance is working with more than 250 hospitals to ensure that someone brought in after a suicide attempt is connected to long-term mental-health care, Dr. Reed said.

House Immigration Showdown Delayed

BY KRISTINA PETERSON

WASHINGTON—A group of centrist Republicans agreed to give House leaders until early next week to hammer out a compromise on immigration legislation before they make their final push to force votes on their own.

After House Republicans met behind closed doors Thursday to discuss the issue, Speaker Paul Ryan (R., Wis.) said he intended to move forward on an immigration bill that would address four issues mapped out by President Donald Trump earlier this year.

Mr. Trump has said legal protections for the so-called Dreamers, young people brought to the U.S. illegally by their parents, must be paired with tighter border security, including funding for a wall along the Mexican border. He also wants to see curbs to the family-based migration system and an end to the diversity visa lottery, which admits 50,000 people chosen at random from underrepresented countries.

But there were no signs that GOP leaders would get enough Republican support to pass such legislation. A bill reflecting the president's priorities failed

in the Senate in February. Mr. Ryan said the bill's legislative prospects in the Senate were irrelevant. "If I sat around as speaker of the House and thought about what can the United States Senate do, we wouldn't do anything," he told reporters Thursday.

Some House Republicans were upset Thursday that Mr. Ryan indicated GOP leaders planned to leave some contentious proposals for later—including changes to the E-Verify program, which allows employers to check workers' immigration status, and an overhaul of guest-worker visas.

Rep. Dennis Ross (R., Fla.), a member of the House GOP whip team, said he was considering signing a discharge petition to compel a series of votes on immigration proposals because of his disappointment that Mr. Ryan wouldn't commit to bringing changes to the guest-worker program to the House floor. Mr. Ross said the speaker told him Thursday that it was too much to tackle now, but would be addressed in the future.

"I said, 'With all due respect,

Mr. Speaker, I've been here eight years and the future's never come,'" Mr. Ross said.

The negotiations between conservative and centrist Republicans looked likely to spill into next week, although the tenor could shift on a daily basis. Lawmakers tried to exhaust every option before deploying the unusual procedural motion known as a discharge petition to compel votes over their leaders' objections. GOP leaders have said such a move is tantamount to turning control of the House floor over to Democrats.

"A lot of us are optimistic that we can hopefully bring something to the floor," Rep. Mario Diaz-Balart (R., Fla.), who has signed the discharge petition, said of the negotiations with conservatives.

So far 23 House Republicans have signed the petition, many representing the most competitive districts in November's midterm elections.

Because of procedural rules, its backers must secure enough support by Tuesday in order for it to come up on the House floor this month. Lawmakers said they were confident the petition would get the required 218 signatures by Tuesday if a deal hasn't been struck.



Speaker Paul Ryan said he plans to move forward on a bill that would address four immigration issues, including tighter border security.

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U.S. NEWS

Senate Staffer Is Indicted in Leak Probe

A veteran Senate staffer has been indicted as part of a probe related to unauthorized disclosure of classified information that has included records from a New York Times reporter.

James A. Wolfe, the long-

*By Byron Tau,
Erica Orden
and Lukas Alpert*

time head of security of the Senate Intelligence Committee, was arrested late Thursday, federal prosecutors said. Mr. Wolfe was indicted on charges of "making false statements to special agents of the FBI during the course of an investigation into the unlawful disclo-

sure of classified information," prosecutors said in a statement late Thursday.

"Wolfe is alleged to have lied to FBI agents in December 2017 about his repeated contacts with three reporters, including through his use of encrypted messaging applications," prosecutors said. "Wolfe is further alleged to have made false statements to the FBI about providing two reporters with non-public information related to the matters occurring before the [Senate Select Committee on Intelligence]."

Mr. Wolfe didn't respond to a request for comment. According to his LinkedIn profile, Mr. Wolfe is a 31-year veteran

on the Senate Intelligence Committee. He is a professional staffer who has served on the committee under chairmen of both parties.

As part of the same probe, investigators have obtained records from reporter Ali Watkins, according to people familiar with the matter. Prosecutors typically avoid such a tactic because of concerns about respecting freedom of the press.

The Senate this week agreed to turn over documents to the Justice Department as part of the investigation in an unusual resolution that passed by unanimous consent on the Senate floor. Under Senate rules, the full body needs to

approve any request to turn over its internal documents to the executive branch.

"The Select Committee on Intelligence has received a request from the Department of Justice for records pertinent to a pending investigation arising out of allegations of the unauthorized disclosure of information by a former employee of the Committee," Senate Majority Leader Mitch McConnell, R., Ky., said in a statement entered into the Congressional Record.

Ms. Watkins is a national security reporter for the New York Times.

She previously worked at BuzzFeed, Politico and McClatchy where she also covered

national security—primarily the intelligence committees on Capitol Hill. Her records were seized by prosecutors recently, people familiar with the matter said.

Ms. Watkins had a romantic relationship with Mr. Wolfe while she was covering the Senate Intelligence Committee for BuzzFeed, according to people briefed on the matter. She didn't respond to requests for comment.

A spokesman for Politico said Ms. Watkins didn't primarily cover the Senate Intelligence Committee for the publication and it was aware of her relationship with a top staffer on the panel.

A person familiar with the

matter said Ms. Watkins disclosed the relationship when she joined the New York Times. A spokeswoman for the New York Times said the seizure of a reporter's records undermines media freedom.

"Freedom of the press is a cornerstone of democracy and we believe that communications between journalists and their sources demand protection," said Eileen Murphy, senior vice president for corporate communications at the paper. "This decision by the Justice Department will endanger reporters' ability to promise confidentiality to their sources."

*—Sadie Gurman
contributed to this article.*

Clinton Email Report Expected Out Next Week

BY ARUNA VISWANATHA

A long-awaited watchdog report that is expected to criticize the Justice Department's handling of the 2016 investigation into Hillary Clinton's private email server will be released next Thursday, according to a letter to Congress from Inspector General Michael Horowitz.

The release, and a hearing on the report by the Senate Judiciary Committee on June 18, will set the stage for what is likely to be a new front in the political battle that has flared in recent months over the handling of sensitive inquiries by the Justice Department and the Federal Bureau of Investigation.

The document, which officials say could exceed 500 pages, is intended to be a definitive account of the Clinton inquiry, including controversial decisions made by then-FBI Director James Comey and others in connection with the investigation.

People familiar with the report's contents say it will cast a critical eye on many of the people who occupied senior roles during the inquiry, from then-Attorney General Loretta Lynch to Mr. Comey.

The document is expected to cover the Clinton investigation from its launch through Mr. Comey's July 2016 press

conference—in which he said Mrs. Clinton had been "extremely careless" with national secrets but the FBI recommended against charging her—and continuing with the FBI's decision to reopen the inquiry shortly before the 2016 election.

President Donald Trump continues to argue that the FBI went easy on Mrs. Clinton while pursuing a vendetta against his campaign and embedding spies within it. Mr. Trump has provided no evidence for those assertions and some senior Republicans have disputed the claims.

Democrats say Mr. Trump and his allies are baselessly attacking the FBI in an attempt to undermine the Russia probe, an approach they warn will have long-lasting consequences.

But while they stand up for the bureau against Mr. Trump, many Democrats blame Mr. Comey's disclosure that the FBI was reopening the Clinton probe for her loss in the presidential race.

A spokesman for the inspector general's office declined to elaborate on the letter sent to Congress.

The individuals scrutinized in the report have viewed portions of it and provided the inspector general with responses, which will be incorporated into the final version.



GOP House Speaker Paul Ryan has disputed President Donald Trump's assertion that FBI 'spies' infiltrated his 2016 campaign.

New Briefing Set on FBI Informant

BY SADIE GURMAN

The Justice Department offered lawmakers an additional classified briefing about the FBI's use of a confidential informant during its investigation into potential coordination between the Trump campaign and Russian meddling in the 2016 election.

Thursday's invitation came a day after House Speaker Paul Ryan (R., Wis.) disputed President Donald Trump's assertion that Federal Bureau of

Investigation "spies" had infiltrated his campaign, saying evidence suggested the bureau had acted appropriately. Mr. Ryan said that lawmakers had more documents to review and "more digging to do," adding, "We still have some unanswered questions."

The briefing, expected next week, will involve the so-called Gang of Eight—the two party leaders and two top intelligence committee lawmakers from the Senate and House. Officials are prepared

to brief these members on "certain questions specifically raised by the speaker and other members," believing the agency can do so in a way that is "consistent with its national security and law enforcement responsibilities," the department said.

Republicans have been pushing for weeks for access to confidential information about the Russia probe. Late last month, the Justice Department held an initial briefing for the Gang of Eight, as

well as another briefing for Reps. Devin Nunes (R., Calif.) and Trey Gowdy (R., S.C.), two committee chairmen who have been outspoken in demanding the information.

Mr. Ryan said Thursday he had hoped for the follow-up briefing sooner. The Justice Department said it was taking extra time to get lawmakers the fullest answers to questions they had raised in the earlier sessions.

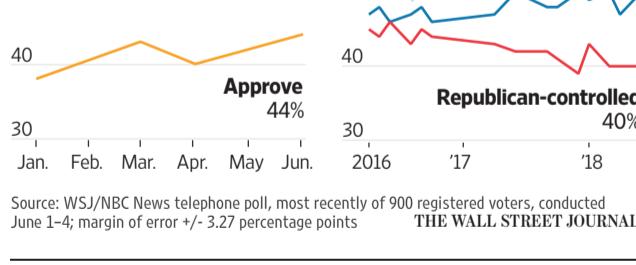
*—Kristina Peterson
contributed to this article.*

In Poll, Voters Signal They Want a Democratic Congress

A Midterms Snapshot

President Trump's approval rating has improved, but more voters prefer Democrats taking control of Congress from Republicans.

Trump job approval among registered voters



Source: WSJ/NBC News telephone poll, most recently of 900 registered voters, conducted June 1-4; margin of error +/- 3.27 percentage points

THE WALL STREET JOURNAL.

BY PETER NICHOLAS

Democrats are showing considerably more interest in the fall elections than are Republicans, and voters overall are signaling they would like control of Congress to flip to Democrats, a new Wall Street Journal/NBC News poll finds.

The Democratic advantages come at the same time President Donald Trump's approval rating has improved to 44%, one of its highest marks since he took office. Nearly two-thirds of voters are satisfied with the economy, one of the strongest showings since 2001.

Some 53% of voters disapprove of Mr. Trump's job per-

formance, however. His approval rating is similar to that of Democrat Barack Obama and Republican Ronald Reagan at this point in their tenure, ahead of substantial losses in House races during their first midterm elections.

The survey of 900 registered voters "points to a repudiation of Donald Trump, to the benefit of Democrats," said Fred Yang, a Democratic pollster who conducted the survey with Republican Bill McInturff.

For his part, Mr. McInturff said that poll numbers have been "bouncing around" in recent months, making it difficult to know with certainty where voters "are going to

land."

Democrats need to pick up 23 seats in the House and two in the Senate to regain control of Congress.

The survey, conducted June 1-4, offered some encouraging news for Mr. Trump and Republicans who believe the party should be rewarded for the strong economy. Nearly three-quarters of voters said the economy had improved under Mr. Trump, and 44% said the president deserved credit for it—up six points from a year ago.

Mr. Trump also remains a popular figure in his party. His job approval among Republicans stands at 84%, about as

high as at any point in his tenure. Still, 50% of voters said they wanted to see Democrats control Congress, compared with 40% who preferred the GOP.

Five months before the voting, Democrats are more focused on the campaign. Some 63% of Democrats said they are very interested in the midterms, compared with 47% of Republicans. Democrats' interest in the race exceeds that of a comparable point in 2006—a year when the party picked up 31 House and six Senate seats in a midterm rout.

The margin of error for the survey was plus or minus 3.27 percentage points.

McDonald's Plans More Layoffs

Continued from Page One

U.S. employees, suppliers and franchisees this week, McDonald's USA President Chris Kempczinski said the company is restructuring regional offices around the country. "I recognize that change is difficult, and that eliminating layers within our organization means some employees will ultimately exit our system," he said in the memo, which was reviewed by The Wall Street Journal.

In a video message that accompanied the memo, he said the layers between field consultants and Chief Executive Steve Easterbrook will be reduced to six from eight, according to a franchisee who watched the video.

Mr. Kempczinski didn't men-

tion the scope of the headcount reduction but is expected to provide additional details during a town-hall meeting Tuesday. A McDonald's spokeswoman on Thursday also declined to say how many jobs could be affected but added that the new structure in the U.S. would better support franchisees and help the company be "more dynamic, nimble and competitive."

The company has already cut an undisclosed number of corporate jobs in the past two years and said it is reinvesting some of its cost savings in technology, such as digital ordering, that it believes will lead to growth. Mr. Kempczinski explained in the written memo that the latest changes will enable McDonald's to become a nimbler organization that can make decisions more quickly.

But the company has struggled to get basic decisions right, including its menu. After a number of regional deals confused consumers, Mr. Kempczinski has said, the chain came

out with one national value menu with items priced at \$1, \$2 and \$3 each earlier this year, following the success of rivals' value offerings.

Competitors were focused on offering aggressive price promotions like Burger King's deal of 10 chicken nuggets for \$1.69 and Wendy's four for \$4 menu. Burger King's parent company, Restaurant Brands International Inc., is owned by Brazilian private-equity fund 3G Capital Partners LP, which has cut costs at the burger chain and improved profitability. Burger King's emphasis on inexpensive meals helped it post a 4.2% increase in U.S. same-store sales in the first quarter, well outpacing McDonald's 2.9% growth, which was driven by higher-price menu items and price increases. The company said customer visits in the U.S. fell in the quarter due to greater competition from rivals at breakfast.

"If sales were strong they wouldn't need to be doing this now," said Howard Penney, managing director at Hedgeye

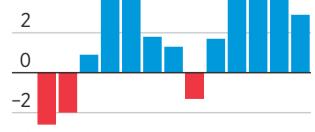
Risk Management LLC, of the decision to undergo another corporate restructuring.

Investors cheered the move, however, sending shares up 4.4% to close at \$169.48 on Thursday.

Independent equity analyst Mark Kalinowski on Thursday said his research suggests McDonald's U.S. traffic has turned positive since the company reported earnings in April.

Cooling Growth

McDonald's U.S. same-store sales, change from previous year



Sources: the company; Kalinowski Equity Research LLC

THE WALL STREET JOURNAL.

Several franchisees interviewed by the Journal applauded the move, saying too much bureaucracy has impeded decision making. More than 90% of McDonald's U.S. restaurants are operated by franchisees who pay McDonald's a percentage of their sales for the right to use the brand.

"I'm not sure what all of those management layers even do," said one franchisee. "The mood in the field is very positive because it will put a focus on things we hoped would be a focus for a long time."

The franchisee said that beyond just reducing management layers, the restructuring will enable the chain's field consultants to spend more time helping operators figure out ways to boost restaurant profitability rather than just grading restaurants on such things as cleanliness, customer service and order accuracy.

McDonald's had spent about a decade chasing health-minded consumers who favored fast-casual chains by

adding salads, snack wraps and oatmeal to its menu.

After a major study in 2016 revealed that McDonald's had lost about 500 million orders in the U.S. to rival fast-food chains in the previous five years, it decided to go back to basics and figure out how to make a better burger. McDonald's assembled a panel of sensory experts consisting of suppliers, chefs and employees to compare rivals' burgers against theirs. They discovered that McDonald's burgers just weren't hot and fresh enough.

The chain in 2016 began a two-year quest to reconfigure its supply chain and distribution system to handle fresh—rather than frozen—hamburger patties, which rolled out nationwide last month in its quarter-pound burgers.

McDonald's also altered its grilling methods, began toasting its buns longer and changed its preparation procedures so that burgers would be cooked upon request rather than held in warming cabinets.

U.S. NEWS

Vote Revisits Vegas Strip Shooting

Challengers fault handling of massacre; sheriff says they are exploiting a tragedy

BY ZUSHA ELINSON

Sheriff Joseph Lombardo became the face of Las Vegas after the city was the site of the deadliest mass shooting in modern U.S. history last fall. Now, Mr. Lombardo is facing a re-election challenge from candidates who are critical of his handling of the massacre.

Challenger Tim Bedwell, a 60-year-old retired North Las Vegas police lieutenant, has slammed Mr. Lombardo for releasing incorrect information in the days after a shooter showered a country-music festival with near-automatic gunfire killing 58 people and injuring hundreds.

"I thought in the first two days that he'd done really well," Mr. Bedwell said. "When I learned that much of what he stated in the first two days was wrong, I began to question that."

Mr. Lombardo responded to the criticism by saying, "It's deplorable that my opponent would try to capitalize on such a major tragedy."

The Oct. 1 attack thrust Mr. Lombardo, 55, into the national spotlight and has come to define his four-year tenure at the head of the sixth-largest police department in the country. After starting his law-enforcement career in 1989 with the Las Vegas Metropolitan Police Department, he worked his way up the ranks to lead the department with 3,300 sworn officers and a budget of \$575 million this fiscal year.

Mr. Lombardo is the heavy favorite in this nonpartisan race. If he wins more than half of the vote in the primary on Tuesday, he will avoid a runoff in the general election in November. Mr. Lombardo raised \$521,000 between the beginning of the year and May 18, according to campaign finance reports, and he is backed by the major Las Vegas business and labor groups. Meanwhile, Mr. Bedwell raised \$48,000 over that time, and the three other candidates didn't raise any



Sheriff Joseph Lombardo, who leads the nation's sixth-largest police force, is facing four challengers in his bid for re-election.

funds, according to campaign-finance reports.

After the October shooting, Mr. Lombardo had to twice change a timeline and facts related to a security guard who was shot at the Mandalay Bay Resort and Casino.

The sheriff said he was trying to get out as much information to calm the public after the shooting, arguing that the revised facts were benign and the result of trying to pull together information from disparate

sources.

In retrospect, Mr. Lombardo said he could have been more deliberate.

Mr. Bedwell, who retired last year from the North Las Vegas Police Department after 16 years, also has criticized Mr. Lombardo for not being transparent enough and for fighting the media over the release of 911 calls and other police records related to the shooting.

Mr. Lombardo had argued that it wasn't appropriate to re-

lease the calls because of a continuing investigation and because of the cost and burden to the department.

The department has now released witness statements, some police body-cam video and recordings of 911 calls—all in response to a court ruling in favor of media organizations.

The Las Vegas Police Protective Association, the union that represents police officers, endorsed Mr. Lombardo's opponent in the last election.

This time, not enough union members voted for the group to make an endorsement, said Steve Grammas, president of the union, who added that Mr. Lombardo was favored by a majority of those who did cast a ballot.

"When he ran his first time, there was not a lot of love for Joe Lombardo," Mr. Grammas said. "As the process has gone on, I believe that our officers have gained respect of Joe and for the job he's done."

Mars Rover Finds Methane, but No Sure Life Signs

BY ROBERT LEE HOTZ

The Mars Curiosity rover is sniffing methane in the Martian air, but NASA researchers suspect that the distinctive gas—often a sign of life on Earth—may be leaking from buried deposits and not from microbes living on the Red Planet today, space-agency scientists said Thursday.

The traces of methane on Mars are tantalizing to biologists eager for evidence of life. Astronomers using Earth-based telescopes and satellite readings first started detecting faint plumes of methane on Mars more than a decade ago.

But no one could tell whether the gas was a byproduct of microbial life, the result of geological reactions or a side effect of meteoroids and cosmic dust raining down on the planet.

In the new research, scientists analyzed about six years of atmospheric measurements collected by the National Aeronautics and Space Administration robot and concluded that Martian methane rises and falls with the seasons, peaking near the end of summer in the planet's northern hemisphere.



NASA/AGENCE FRANCE PRESSE/GETTY IMAGES

NASA researchers suspect methane detected by the Mars Curiosity rover is from buried deposits.

"That is a huge change, completely unexpected," said Christopher R. Webster at NASA's jet-propulsion laboratory in California. He leads the team that is sampling the Martian air with a sensor aboard the rover called the tunable laser spec-

trometer, an instrument specially designed for measuring the gas on Mars.

The researchers discussed their findings at a NASA briefing Thursday and published their research in Science.

After ruling out several po-

tential sources, the researchers suggested that methane might be leaking from water-based crystals called clathrates buried in the cold Martian soil.

Seasonal changes in temperature could cause the variations in methane levels the rover detected.

"The idea that best fits our data is subsurface storage," said Dr. Webster.

"Way under the surface of Mars there is methane trapped. We don't know if that methane is modern or if it is ancient."

In a related finding also published in Science Thursday, space-agency scientists said that the Curiosity rover found organic molecules contained in samples of three-billion-year-old mudstone on Mars. There is no way, though, to determine if it is evidence of ancient Martian life, the researchers said.

"Are there signs of life on Mars?" asked Michael Meyer, lead scientist for NASA's Mars Exploration Program at NASA headquarters.

"We don't know, but these results tell us we are on the right track."

Heat Found to Hurt Studies

BY BEN LEUBSDORF

Hot weather makes it more difficult for high-school students to learn, a new study suggests.

The good news, according to the analysis of roughly 10 million U.S. students who took the Preliminary SAT more than once between 1998 and 2012, is that air-conditioned classrooms appear to neutralize the effects of high temperatures.

"When outside temperatures exceed 70 degrees, students' learning appears to suffer. The hotter it gets beyond that point, the more student learning suffers," said Joshua Goodman, an associate professor of public policy at Harvard University's John F. Kennedy School of Government.

The study was circulated by the National Bureau of Economic Research as a working paper by Mr. Goodman and three other researchers.

They found that, on average, every increase of 1 degree Fahrenheit in the average temperature during the school year reduced learning by about 1%.

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WORLD NEWS

Trump Sees Long Process on North Korea

Summit with Kim in Singapore aimed at denuclearization is just the 'easy part'

President Donald Trump's top priority when he meets Kim Jong Un in Singapore next week will be wresting an iron-clad commitment from the North Korean leader to give up his nuclear-weapons program in exchange for an agreement to bring seven decades of hostilities to a close.

*By Michael R. Gordon
and Jessica Donati
in Washington
and Jonathan Cheng
in Seoul*

But he acknowledged on Thursday that would only be the beginning.

"Sounds a little bit strange, but that's probably the easy part," Mr. Trump said at the White House alongside Japanese Prime Minister Shinzo Abe. "The hard part remains after that."

The summit will be just the start of an intricate process. U.S. officials need to obtain a list of all of North Korea's nuclear assets, nail down verification arrangements in a country that has resisted intrusive monitoring and settle on a speedy schedule for dismantling its arsenal.

All this must take place as Washington and Pyongyang try to build trust after more than 60 years of often acrimonious confrontation.

Former negotiators say the lower-level talks and future summits that are expected to follow will be full of potential pitfalls. But U.S. officials can draw on the lessons of those involved in several rounds of failed talks.

Among their recommendations: Address verification early, be explicit, be firm, get it in writing and keep the momentum.

"A key lesson is the need to be specific and explicit about



The U.S. delegation, foreground, at talks in Beijing on North Korea in 2004. Former negotiators warn that negotiations with Pyongyang will be full of potential pitfalls.

the constraints we want the North Koreans to be bound by," said Robert Einhorn, a former U.S. negotiator on North Korea's missile programs. "The North Koreans will exploit any ambiguities."

North Korea has committed itself to denuclearization before: In a September 2005 statement it issued jointly with the U.S. and four other nations, North Korea said it was committed to "abandoning all nuclear weapons and existing nuclear programs." Those "six-party talks" faltered after Pyongyang resisted the Americans' demand for wide-ranging verification.

North Korea's nuclear and missile arsenals have ex-

panded exponentially since then, making the goal of denuclearizing the peninsula all the more challenging, especially since the White House goal is to achieve that rapidly.

The Trump administration is calculating, however, that this time the stars may finally be aligned.

For one thing, Mr. Trump is meeting with the one man in North Korea who can make major decisions, Mr. Kim, against the backdrop of punishing U.N. Security Council sanctions.

The White House also has stepped back from its early brinkmanship and no longer suggests core issues should be resolved at a single high-

stakes summit. Rather, Mr. Trump has cast the Singapore meeting as the start of a longer process.

"At minimum, we'll start with perhaps a good relationship—that's something very important for the ultimate making of a deal," Mr. Trump said. "It's going to be much more than a photo op—it's a process. It's not a one-meeting deal. It'd be wonderful if we were," he added.

Still, the summit is advancing without the months of detailed negotiation and scripting that have long preceded most arms control summits, injecting a note of unpredictability and putting a premium on the need to clarify Pyong-

yang's commitments.

One likely outcome of the summit is a communiqué that would outline the principles that should guide U.S.-North Korea relations and establish the parameters for lower-level talks that would follow, former U.S. officials said.

But some longtime Korea veterans said another important task will be to formalize the unilateral gestures North Korea has already made to refrain from nuclear and missile tests and to close its nuclear test site.

"The key lesson we learned was really to specify everything on paper," said Joseph Yun, the former top U.S. diplomat for North Korea who re-

tired from the State Department early this year.

Another lesson, former officials say, is to deal with the thorny question of verification early in the process, instead of treating it as a technical matter to be addressed once key understandings are achieved after months of discussion.

"If you kick the can down the road on verification, then you can have trouble because you are going to eventually trip over that can," said Robert Gallucci, the chief U.S. negotiator in 1994 talks with North Korea. "You really have to get agreement on what it means to monitor and verify."

—Andrew Jeong in Seoul contributed to this article.

Pyongyang Dominates Discussions With Abe

**BY REBECCA BALLHAUS
AND VIVIAN SALAMA**

WASHINGTON—President Donald Trump said he would "certainly" invite North Korean leader Kim Jong Un to the U.S. for a visit "if it goes well" at next week's planned summit.

"I think it would be well received," Mr. Trump said Thursday of a potential U.S. visit for Mr. Kim, whom he is expected to meet in Singapore next week. Referring to Mr. Kim, the president said: "I think he will look at it favorably. So I think that could happen."

Asked whether he would invite Mr. Kim to the White House or to Mar-a-Lago, the luxury resort he owns in Palm Beach, Fla., where he has invited other foreign leaders, Mr. Trump said: "Maybe we'll start with the White House."

Mr. Trump, speaking at a news conference alongside Prime Minister Shinzo Abe of Japan, said he was "totally prepared to walk away" from the summit but that he expects it to result in "great success."

The president also said he

was open to normalizing relations with North Korea "when everything's complete."

Mr. Trump said the U.S. has readied a list of more than 300 "massive sanctions" that could be implemented against North Korea, but that he had "decided to hold that until we

can make a deal." He said the campaign of "maximum pressure" against North Korea was "absolutely in effect," but added: "We don't use the term anymore because we are going into a friendly negotiation."

Last week, Mr. Trump promised to drop talk of "maximum pressure" on Pyongyang, after declaring that the summit with Mr. Kim—which he canceled last month—

would proceed as initially planned. The decision to proceed with the summit came after one of Mr. Kim's top lieutenants hand-delivered a letter to the Republican president, which Mr. Trump described Thursday as "very warm" and "very nice."

Earlier Thursday, in an Oval Office meeting with Mr. Abe, Mr. Trump said the planned summit was "ready to go" but "subject always to change."

"I think I'm very well prepared. I don't think I have to prepare very much. It's about attitude," Mr. Trump said. "This isn't a question of preparation, it's a question of whether people want it to happen."

Mr. Trump is set to travel to Singapore after this weekend's Group of Seven summit in Canada for the meeting with Mr. Kim, which he said he hoped would be "very fruitful."

"At minimum, we'll start with perhaps a good relationship—that's something very important for the ultimate making of a deal," Mr. Trump said.

Mr. Trump reiterated that he was committed to the goal of complete denuclearization by North Korea. "They have to denuke," he said. "If they don't denuke, that will not be acceptable."

The president said that the U.S. "cannot take sanctions off" and that "we could add a lot more, but I have chosen not to do that at this time."

Secretary of State Mike Pompeo said that Mr. Kim has

"indicated to me personally that he is prepared to denuclearize."

The White House said last week that it was holding off a fresh round of sanctions against North Korea to focus on preserving the summit between the two leaders. Shortly afterward, Mr. Trump scaled back his language and expectations, promising to drop talk of "maximum pressure" on Pyongyang.

The president's lawyer, Rudy Giuliani, said on Wednesday that Mr. Trump's decision in May to cancel the summit—a decision he quickly reversed—forced Mr. Kim to "his hands and knees" to beg for a chance to meet Mr. Trump.

Mr. Pompeo dismissed those remarks on Thursday. "Rudy doesn't speak for the administration when it comes to this negotiation and this set of issues," he said.

U.S. Workers Leave China Amid Mystery Ailments



The State Department has evacuated additional U.S. employees and their families from the Chinese city of Guangzhou after they reported unexplained medical symptoms, and is trying to determine whether there are similarities with the mysterious illness that struck American diplomats in Cuba last year.

The State Department said last month that one U.S. government employee in Guangzhou had suffered a mild brain injury after months of "abnormal" aural sensations and was sent to the U.S.

Starting in late 2016, more than 20 American diplomats and family members in Havana reported suffering health problems that U.S. officials described as the result of targeted "sonic attacks."

Josh Chin

President To Leave G-7 Early

Continued from Page One

weight and is now the true international force."

Mr. Trudeau, at the same conference, doubled down on his commitment to stay true to the interests of Canadian citizens, even if that means tensions between neighbors. "Since the beginning, I have done what Canadians expect of their prime minister. I have been polite and respectful," Mr. Trudeau said. "But I've always been very firm on Canada's interests and our values as well. This approach will

continue."

In an apparent response to their comments, Mr. Trump wrote on Twitter a short time later: "Please tell Prime Minister Trudeau and President Macron that they are charging the U.S. massive tariffs and create non-monetary barriers. The EU trade surplus with the U.S. is \$151 Billion, and Canada keeps our farmers and others out. Look forward to seeing them tomorrow."

According to the U.S. Bureau of Economic Analysis, the U.S.'s total trade deficit with the EU, including goods and services, reached \$101 billion in 2017.

Mr. Trump singled out the Canadian leader in another tweet later Thursday. Mr. Trudeau "is being so indignant, bringing up the relationship that the U.S. and Canada had over the many years and

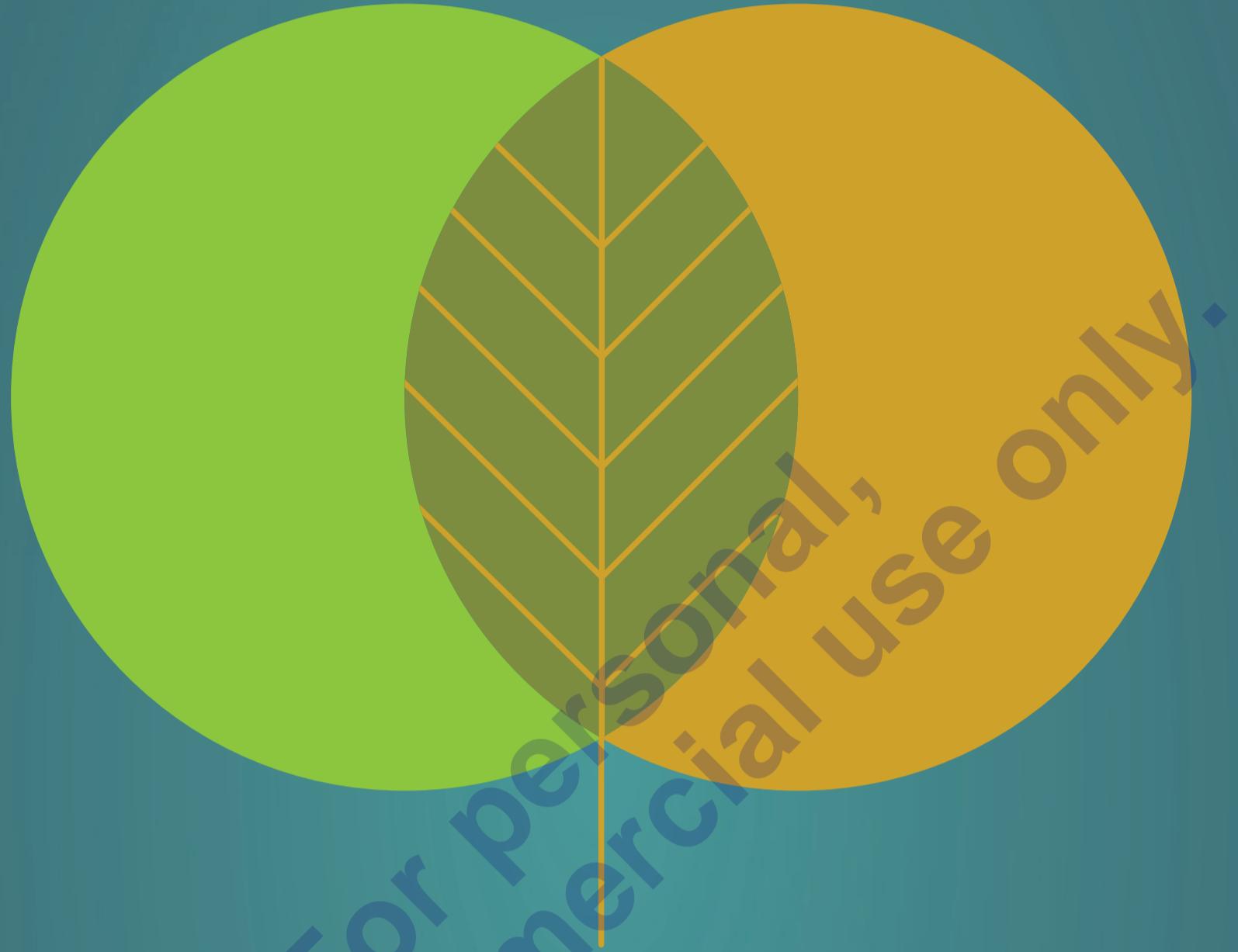
all sorts of other things...but he doesn't bring up the fact that they charge us up to 300% on dairy—hurting our Farmers, killing our Agriculture!"

Canadian tariffs can hit as high 295% on certain imports of cream and milk once they exceed a certain threshold.

The White House said in its statement Thursday that Everett Eissenstat, deputy assistant to the president for international economic affairs, would represent the U.S. for the remaining G-7 sessions. The president had been scheduled to attend the summit through lunch on Saturday.

Given Mr. Trump's new plan, he will skip out on G-7 working sessions related to climate change and oceans. He will miss a working lunch and a family G-7 photo.

*—Paul Vieira
contributed to this article.*



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WORLD NEWS

Iraq Plans a Full Recount of Vote

Effort would deepen political uncertainty in wake of anti-American cleric's victory in May

BY ISABEL COLES
AND GHASSAN ADNAN

BAGHDAD—Iraqi authorities moved to conduct a full manual recount of 12 million ballots in recent national elections, threatening to slow down the formation of a government after the victory of an anti-American cleric upended the political establishment.

The recount effort, if allowed by Iraq's Federal Supreme Court, would deepen political uncertainty and hamper Iraq's ability to deal with major challenges as it emerges from more than three years of war with Islamic State. Those challenges include rebuilding war-torn sections of the country, preventing Islamic State from regrouping, curbing the influence of Iran-backed militias, and reforming the economy.

Parliament's push comes amid persistent allegations of fraud nearly one month after the parliamentary election in which a coalition backed by populist Shiite cleric Moqtada al-Sadr surprisingly won the largest number of seats.

Mr. Sadr's victory isn't in question. A recount—if held—isn't expected to significantly alter the balance of power because most of the fraud allegations occurred in places where Mr. Sadr didn't do well and concern smaller parties affiliated with Iraq's Kurdish minority and its Sunni Muslims.

But the recount effort creates a political logjam just as Mr. Sadr—who isn't trying to become premier—was trying to form a government. He has



An explosion at a Shiite mosque in Baghdad's Sadr City district—populist cleric Moqtada al-Sadr's stronghold—killed at least 18 people.

been in talks with current Prime Minister Haider al-Abadi and others, a remarkable transformation for an outsider cleric who urged his followers to battle U.S. troops after the 2003 invasion.

The current parliament's term expires June 30, and the new assembly can't convene to nominate a prime minister until election results have been ratified.

"This means that Iraq will experience a huge constitutional vacuum. This is really dangerous," said lawmaker Riad Ghali, an ally of Mr. Sadr.

Election-fraud allegations came to a head on Wednesday when parliament voted to amend Iraq's election law to

force a recount. The vote involved some Iraqi lawmakers who lost their re-election.

Lawmakers from Kurdish opposition parties who have

The amended law rejects the use of electronic-voting machines that were introduced this election to reduce fraud but have been at the center of the controversy. Politicians and a member of the Independent Higher Electoral Commission that organized the vote have alleged that the devices were tampered with.

The fraud complaints and the ensuing political fracas have further undermined Iraqis' faith in the ballot box. Election turnout fell to its lowest level since the country became a democracy 15 years ago.

Iraq's Supreme Judicial Council endorsed parliament's legislation on Thursday to "reassure public opinion." The

council will meet Sunday to nominate judges who will assume the responsibilities of the electoral commission, unless the Federal Supreme Court intervenes and rules against it.

Meanwhile, Mr. Abadi on Thursday ordered an investigation into overnight explosions that tore through a mosque in Baghdad, as officials raised the casualty toll to 18 dead and 38 wounded, the Associated Press reported.

The blasts took place in Baghdad's Sadr City when a weapons depot exploded inside a Shiite mosque, the officials said. It wasn't clear what triggered the explosions.

—Ali Nabhan contributed to this article.

A recount—if held—isn't expected to significantly alter the balance of power.

accused the two parties that have dominated Kurdish politics for decades of fraud hailed parliament's vote as a "historic step" and urged the judiciary to protect the rights of voters.

Israel, Palestinians Aim to Cut Gaza Tensions

BY FELICIA SCHWARTZ
AND ABU BAKR BASHIR

GAZA CITY—Palestinians in Gaza plan to renew protests against Israel on Friday at their common border, but both sides are taking steps to avoid inflaming a weeks-long simmering conflict into an outright war.

The demonstrations are set for the last Friday of the Muslim holy month of Ramadan, a day Palestinians have marked to express their opposition to what they say is Israel's illegal occupation of Jerusalem.

Still, appeals to protest by Gaza's rulers, the militant and political group Hamas, are more subdued. The loud-speaker announcements and posters imploring Gazans to gather at the border fence that preceded other large protests in the past two months have largely been absent this time.

For their part, Israeli officials said the military would bring more nonlethal equipment to confront any violent protesters. Israel's military said it also dropped leaflets in



of deadly clashes raised the likelihood of a wider conflict.

More than 120 Palestinians have died and thousands more have been injured in clashes with Israel's military as many of them rolled burning tires into the fence, threw Molotov cocktails and flew flaming kites.

Both sides have struggled to cope with the fallout. Israel and the U.S. accuse Hamas of deliberately placing civilians at risk for political gain. The resulting death and destruction in Gaza have heaped pressure on Hamas. Hospitals in the strip have been inundated.

Meanwhile, the United Nations and European leaders have criticized Israel for using live fire against often unarmed people in a response they say has been disproportionate.

Of immediate concern is Friday's demonstrations.

Marwan Abu Saada, the chief of surgery at Gaza's biggest hospital, Shifa, said he worried the hospital might not have enough beds if the Friday protests again turn violent.

"The size of the package should provide relief, but implementing the program entails significant challenges and will require skillful political leadership," said Martin Castellano, the head of Latin America research at the Institute of International Finance.

The IMF will extend credit under a program known as a 36-month standby arrangement, basically a giant credit line.

Mr. Dujovne said that about \$15 billion from the credit line would be immediately available to Argentina after the package is approved by the IMF's board, which is expected on June 20. The rest would be dispersed as needed as Argentina meets its targets, Mr. Dujovne said.

As part of the program, Argentina will agree to accelerate the pace at which it reduces the government deficit. The nation spends more than it collects in revenue and imports more than it exports, creating fiscal and current-account shortfalls that leave Argentina vulnerable to fluctuations in its currency.

Southeast Asia Braces for JihadistsFlushed From Syria, Iraq



MIDDLE EAST
CROSSROADS

By Yaroslav Trofimov

SINGAPORE—Islamic State's collapse in Syria and Iraq leaves global jihadists looking for a new home.

Governments in Southeast Asia, a region that is home to some 270 million Mus-

lims, fear that their part of the world may now turn into the extremists' new area of growth.

These nations are sidelining old rivalries and working together to make sure that doesn't happen.

This cooperation includes a fresh boost in intelligence sharing and joint maritime and air patrols in the Sulu Sea, where Indonesia, the Philippines and Malaysia

meet. The region's nations are also tightening immigration rules and Indonesia, the world's most populous Muslim country is passing new antiterrorism legislation.

Islamist radicalism has a long tradition in Southeast Asia, fueled by a separatist guerrilla war that raged since the 1970s in the predominantly Muslim parts of southern Philippines, a separatist insurgency in southern Thailand, and the communal tensions in Indonesia that allowed al Qaeda's affiliate Je-mah Islamiyah to flourish another decade ago.

In addition to concerns about the Sulu Sea area, the historic hotbed of Islamist militancy, regional officials increasingly worry that the Rohingya refugee crisis in Myanmar and Bangladesh may create another extremist hot spot on the coast of Andaman Sea.

"When we are talking about terrorism, Iraq and Syria already are finished. The future threat will be in the Sulu Sea and in the Andaman Sea," Inspector-General Hamidin, the deputy head of Indonesia's National



Counter-Terrorism Agency, said in an interview. "While ISIS has been defeated, its ideology remains."

Several hundred radicals from Southeast Asia, particularly Indonesia, traveled to join Islamic State in Syria and Iraq when it proclaimed its "caliphate" in 2014. Many have returned to the region.

Islamic State also tried to establish a ministate of its own in the Indonesian regency of Poso, on Sulawesi island, in 2015. After failing to take hold

tack in a decade. There were several other incidents, including the attack on police by sword-carrying militants on the island of Sumatra.

"The challenges do not end when the military declares victory. While pro-Daesh groups failed to establish a strong foothold in southern Philippines and in Southeast Asia, their initial accomplishments provide a viable blueprint for terrorism operations in the region," the Philippines secretary of national defense, Delfin Lorenzana, warned at the Shangri-La Dialogue security conference in Singapore over the weekend.

In Indonesia, increased police capability to monitor militants' social media and electronic communications means many future attacks will likely be planned by close-knit groups such as the family that carried out the Surabaya church bombings in May, said Mr. Hamidin of the Counter-Terrorism Agency.

While Indonesia is able to keep the militant threat in check, that would become challenging if the largely dormant networks of Jemaah

Islamiyah become activated again by a regional crisis such as the plight of the Rohingya, and start cooperating with the remnants of Islamic State, he added.

"We have learned from what has been happening in Indonesia: if there is conflict and violence against Muslims, terrorists usually go there," said Mr. Hamidin.

In Indonesia, the appeal of Islamic State's brand of radicalism is limited by the fact that rival Islamist movements have been able to achieve their goals through peaceful means. Mass Islamist-sponsored demonstrations against alleged blasphemy by the Christian governor of Jakarta in December 2016 led to his defeat in elections last year, and to a subsequent imprisonment on blasphemy charges.

There is no such peaceful outlet in the Philippines, where a state of emergency remains in force across Mindanao. "In Mindanao, they still have the capabilities, they still have the money, and they still have some territory," said Solahudin, a terrorism expert at the University of Indonesia.

WORLD NEWS

Putin Seeks Vienna Summit With Trump

Russian leader asks Austrian chancellor to set up summit in July with U.S. president

Russian President Vladimir Putin has asked Austria's chancellor to organize a meeting with U.S. President Donald Trump in Vienna this summer and the White House is pondering the offer, a senior European official said.

*By Bojan Pancevski
in Munich
and Peter Nicholas
in Washington*

Mr. Putin made the request during an official visit in the Austrian capital on Tuesday, the official said. Chancellor Sebastian Kurz accepted the request and pledged to approach Mr. Trump, the person said.

Mr. Putin's entreaty suggests a summit between the U.S. and Russian leaders could happen sooner than expected just weeks ago. The Wall Street Journal reported last week that the White House had begun preliminary work on setting up a meeting between the two leaders. Jon Huntsman, the U.S. ambassador to Russia, was in Washington last week meeting with Trump administration officials to help arrange the summit, a senior administration official said.

"The Austrians have conveyed their willingness to host a meeting between President Trump and President Putin," a U.S. National Security Council official said. "And, although



KRILL RUKIN/ASSOCIATED PRESS

Workers in Novosibirsk, Russia, watching a broadcast of President Vladimir Putin's annual question-and-answer session on Thursday.

the two leaders have previously discussed the possibility of arranging a meeting, we have nothing to announce at this time."

The Kremlin didn't respond to a request to comment on Thursday.

Messrs. Putin and Trump are both eager to meet, according to officials and diplomats on both sides, but Mr. Putin told Mr. Kurz this week that he didn't want the en-

counter to take place in the U.S. capital and would favor a neutral location, the senior European official said.

Mr. Putin told Mr. Kurz he would be ready to meet Mr. Trump in Vienna during the U.S. president's planned Europe trip in July, when he is expected to attend a North Atlantic Treaty Organization summit in Brussels and visit the U.K.

In a phone call on March 20, the two leaders talked

about a future meeting "at a number of potential venues, including the White House," White House press secretary Sarah Sanders said at the time.

The capital of Austria, a neutral country outside NATO that has maintained closer relations with Russia than most other European Union members, has often been the stage for delicate international negotiations.

A meeting between the Rus-

sian and American presidents would bring together two leaders who have professed admiration for each other yet whose countries have seen their relations deteriorate to their lowest level since the Cold War.

An aim of the summit would be to resolve tensions between the U.S. and Russia over Syria, Ukraine and other issues, people familiar with the matter said.

It would be the third time Messrs. Trump and Putin have met face to face. They spoke to each other on the sidelines of two international meetings last year, one in Germany and one in Vietnam.

A summit this summer would take place at a delicate time for Mr. Trump, as special counsel Robert Mueller continues to investigate Russian interference in the 2016 presidential election and possible collusion between Moscow and the Trump campaign. Mr. Trump has denied any collusion and Russia has denied interfering in the election.

A sit-down with his Russian counterpart could prove awkward for Mr. Trump. Since taking office he has faced accusations that he has been reluctant to cast blame on Russia for meddling in the elections.

Should Mr. Trump make concessions to Mr. Putin in the course of summit negotiations, he could face criticism that he is being soft on a government that allegedly worked secretly to get him elected.

Mr. Kurz, at 31 one of the world's youngest national leaders, is expected to discuss the matter with the U.S. ambassador to Germany, Richard A. Grenell, during a visit to Berlin on Wednesday, the senior official said.

Mr. Grenell, a former Fox News commentator who worked on Mr. Trump's campaign, is seen as the U.S. official in Europe with the closest ties to the president's inner circle.

—James Marson in Moscow contributed to this article.

After Syria Push, Russia Plays Both Sides in Libya

BY JAMES MARSON

nies are exploring businesses opportunities in Libya.

Moscow's efforts have extended its reach from the Middle East to North Africa and made it a central player in the resource-rich country.

Leaders of Libya's warring political factions, including Fayed Sarraj, prime minister of the Tripoli government, and Mr. Haftar, who controls much of eastern Libya, set a path to elections this year at a meeting in Paris on May 29. Moscow said it supports international mediation efforts.

Libyan Foreign Minister Mohamed Taher Siala said in an interview that the Tripoli government wanted Russia to take on a bigger role. "We want a balance between the external players," he said.

Mr. Dengov's role in Libya highlights how businessmen sometimes work to further the Kremlin's power while advancing their own interests.

Mr. Dengov said he began visiting Libya in 2008. Through various business projects he built relations with officials in then-dictator Moammar Gadhafi's administration, some of whom are now serving



Strongman Khalifa Haftar, center, controls much of eastern Libya.

in rival governments, he said.

At the end of 2014, Mr. Dengov was made head of a diplomatic outreach to Libya.

After Mr. Dengov arranged for a delegation led by Mr. Haftar's son to visit Russia in 2015, Moscow started providing support. Ignoring protests from Tripoli, Russia printed Libyan currency in 2016 for the government allied with Mr. Haftar. As well as his trip on the warship, Mr. Haftar visited Moscow in 2016 and 2017.

A U.S. official said Russia

had furnished Mr. Haftar's forces with weapons and military advisers. Russia has denied this, saying it abides by a U.N. arms embargo. A spokesman for Mr. Haftar didn't respond to requests to comment.

The Russian government sought to build international support for Mr. Haftar, including in the Trump administration.

Meanwhile, Mr. Dengov was working in Tripoli with a lower profile. One of his first tasks was to wrangle the release of 11 Russian sailors held

over alleged oil smuggling.

To build trust, Mr. Dengov said, he also worked to dispel the image of Russia as siding with Mr. Haftar. "When we came to Tripoli, they said: 'You are with Haftar,'" he said. "We offered them friendship."

Russia's reputation in Tripoli has been tarnished, Mr. Dengov said, by the success of President Vladimir Putin's military backing for Mr. Assad in Syria.

Mr. Dengov heads the Russian-Libyan Trade House, formed in 2017 by business-

miles southeast of the capital, Tripoli. The group's presence there demonstrates their resilience nearly two years after a U.S.-backed campaign ousted it from the city of Sirte, its main territorial outpost in Libya.

Islamic State's ability to destabilize Libya's internal security remains an ongoing threat to local forces and Western regional targets," said Maj. Karl Weist, a spokesman for the U.S. Africa Command, known as Africom, in an email.

—Jared Malsin

men from the two countries to increase economic links. Russia is interested in reviving old deals made under Gadhafi, including in oil exploration and the construction of a railway line, and exploring new areas, such as agriculture and information technology, he said.

Mr. Dengov uses his contacts to help Russian companies establish connections in Libya and arranging security for visiting executives.

"We can use business to build up relations," he said.

Northern Ireland Abortion Ban Takes Hit

BY JASON DOUGLAS

LONDON—Britain's Supreme Court rejected a legal bid to overturn Northern Ireland's near-total ban on abortions, but set the stage for future challenges.

For now, Thursday's ruling means Northern Ireland retains some of the strictest laws in Europe. The small region remains out of step with the rest of the U.K., as well as the neighboring Republic of Ireland, which voted in May to lift a decades-old ban.

Although judges ruled that Northern Ireland's Human Rights Commission didn't have the power to bring the case, they said the region's extensive restrictions were incompatible with human-rights law.

Women in Northern Ireland are legally able to seek an abortion only if their lives are in danger or they are at risk of serious long-term physical or mental harm. It is prohibited in all other circumstances, including in cases of rape and incest or if the fetus is diagnosed with a fatal abnormality—a stricter test than in Catholic, conservative Poland.

Abortion in cases where there is a fatal fetal abnormality or the pregnancy is the result of rape or incest is available throughout the vast

majority of countries in Europe," Supreme Court Justice Brian Kerr said in his written judgment in support of the court's conclusions.

The current law has "a significant chilling effect" on women seeking abortions and medical professionals who may wish to help them, he added.

In the wake of the Irish referendum in May, which overturned a prohibition on abortion that had been part of the constitution since the 1980s, attention has turned north of the border.

Days after the vote, abortion-

rights activists rallied in the Northern Irish capital of Belfast.

Northern Ireland hasn't had a government since early 2017, so responsibility for any change could fall to the British Parliament. But though some British lawmakers have floated the idea of changing the abortion law directly from London, Prime Minister Theresa May is unlikely to push for such a change.

The British leader relies on allies in Northern Ireland's Democratic Unionist Party, a socially conservative group whose opposition to abortion is largely responsible for the region's tough laws. Mrs. May needs the party's 10 lawmakers in Parliament to keep her government in office.

Abortion laws were relaxed in the rest of the U.K. in 1967, but that legislation was never applied in Northern Ireland, which had its own parliament between the partition of Ireland in 1921 and the imposition of direct rule from London 50 years later.

Despite the decision to uphold the law, pro-choice activists said they welcomed the judges' ruling.

WORLD WATCH

AFGHANISTAN

President Announces Weeklong Cease-Fire

Afghan President Ashraf Ghani announced a unilateral, weeklong cease-fire as he sought to further pressure Taliban insurgents to negotiate an end to the country's 17-year war even as it widens.

The cease-fire, which will start next week to coincide with one of the holiest periods on the Muslim calendar, comes months after Mr. Ghani offered to recognize the Taliban as a political entity and enter reconciliation talks without conditions if the Islamist movement ended fighting. That was one of the most sweeping peace proposals ever offered by the Afghan government.

The Taliban didn't reply formally to the offer, and it wasn't clear whether they would respond in kind to Thursday's cease-fire declaration, either. Immediately after Mr. Ghani made his announcement, their spokesman, Zabiullah Mujahid, said it was too early to comment.

While the U.S. and Afghan government forces enjoy technical superiority, the reviving Taliban are active in more areas of the country than at any time since the movement was forced from power in a U.S.-led invasion in 2001.

—Craig Nelson

and Habib Khan Totakil

NATO

U.S. Allies Boost Defense Spending

U.S. military allies have increased their defense spending by 3.82% over the past year, since President Donald Trump called for more contributions, according to figures released by the North Atlantic Treaty Organization on Thursday.

The size of national defense budgets was the main irritant at a NATO summit last year and is likely to feature prominently at the alliance leaders' meeting in Brussels next month, which Mr. Trump will attend.

Despite the increase, only eight out of the military alliance's 29 members will this year meet NATO's target of spending 2% of gross domestic product on defense.

Still, all NATO countries have started increasing their defense spending and many have put forward plans on reaching 2% by 2024, said NATO Secretary-General Jens Stoltenberg on Thursday at the end of a defense ministers' meeting.

Mr. Stoltenberg said the 3.82% increase for 2018 compared with 2017 is an estimate that could end up higher at year-end. Germany on Wednesday announced it will increase its defense budget to 1.5% of GDP by 2025.

—Valentina Pop



ROB PINNEY/LONDON NEWS PICTURES/ZUMA PRESS

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IN DEPTH

Lawmakers Take Aim at China Tech Firms

Bipartisan group introduces amendment to scuttle ZTE deal; Huawei under scrutiny

WASHINGTON—China hawks in Congress lost a battle over ZTE Corp., when the Trump administration announced a deal Thursday to resuscitate the Chinese telecom

*By Siobhan Hughes,
Kate O'Keeffe
and John D. McKinnon*

munications giant, but they made it clear their war against Chinese technology companies is far from over.

Hours after the Commerce Department announced a deal

that would prevent ZTE's collapse by allowing it to resume buying components from U.S. suppliers, a bipartisan group of lawmakers introduced an amendment to a must-pass bill in an effort to undo the deal.

Members of Congress have also begun scrutinizing Google's relationship with China's **Huawei Technologies** Co. A group that includes some of the biggest critics of Huawei—Sens. Tom Cotton (R., Ark.) and Marco Rubio (R., Fla.) and Reps. Mike Conaway (R., Texas) and Robert Pittenger (R., N.C.)—is looking at Google's operating-system partnership with Huawei.

Sen. Mark Warner (D., Va.) issued his own open letter early Thursday to Google parent **Alphabet** Inc. and Twitter Inc., asking for information

about any data-sharing agreements between the two companies and Chinese vendors.

The effort to reverse the ZTE deal marks the second time this week that the Republican-led Senate has threatened direct confrontation with GOP President Donald Trump over a signature policy issue.

A group of senators is also seeking to undo tariffs Mr. Trump recently imposed on aluminum and steel imports from Canada, the European Union and Mexico. They have taken a dispute that was a war of words into the more serious realm of legislation that could handcuff the president.

Mr. Trump has made trade, and particularly fixing what he views as an unfair global trading system, a centerpiece of his

agenda. That has entailed confronting both China and close allies, and threatening tariffs on a range of goods. When Mr. Trump last month said he was planning to reverse the penal-

nies that.

While some Republicans have shied away from confronting Mr. Trump over his trade agenda, they appeared more prepared on Thursday to challenge the deal with ZTE, where national-security issues are more clear-cut. U.S. officials have warned for years that the telecom firm's equipment, along with equipment made by rival Huawei, could be used to spy on Americans, accusations that both companies have denied.

In mid-April, the U.S. banned exports to ZTE as punishment for the Chinese company breaking the terms of a settlement to resolve its sanctions-busting sales to North Korea and Iran. The penalty, which the Commerce Department said it

would now lift, amounted to a death knell for ZTE.

Backers of the ZTE amendment, led by Mr. Cotton along with Senate Minority Leader Chuck Schumer (D., N.Y.) and Sen. Chris Van Hollen (D., Md.), are hoping to attach it to the National Defense Authorization Act, which could get a vote as soon as next week. Senate Majority Leader Mitch McConnell (R., Ky.) hasn't said whether he expects the amendment to go to a vote, or whether it could make it into the package by other means.

Sen. Lindsey Graham (R., S.C.) said he wasn't yet comfortable with the ZTE deal. "Our intelligence community is very concerned. I want to know from them: do these changes alleviate their concerns?" he said.

Trump's China Battle

Continued from Page One

clashing views on whether to impose tariffs to force concessions. Mr. Trump encourages the competing voices, and the status of senior officials rises and falls depending on the president's shifting goals.

Competition on the trade team for the president's ear is intense, with Mr. Mnuchin, U.S. Trade Representative Robert Lighthizer, White House trade aide Peter Navarro, Mr. Kudlow and others routinely jockeying for position. In early May, Mr. Navarro and Mr. Mnuchin feuded in Beijing and battled over the cable-news airwaves over whether to move ahead with tariffs, with Mr. Mnuchin calling off a trade war and Mr. Navarro restarting it.

Conflicting signals

The result has been conflicting signals from the U.S. on its goals and how far it will go to achieve them. That is creating uncertainty in China, Europe and elsewhere about how far to push the U.S. and to what end, increasing the risk of an escalating trade war.

The turn to a tougher U.S. stance has trading partners up in arms. Mr. Mnuchin was rebuked by rival finance ministers at a meeting in Canada last week, ahead of a summit of Group of Seven leaders that starts on Friday, where Mr. Trump could face similar blowback. In Beijing, China's leadership offered to buy as much as \$70 billion in U.S. agricultural, energy and other products, but only if the U.S. abandons its tariff threats.

"The unpredictability makes life more complicated for the Chinese," says Cornell University economist Eswar Prasad, who consults with Chinese officials. "They aren't sure which way the winds will shift. Anything the U.S. says can be pulled back."

This account of the dynamics within Mr. Trump's trade team and how they have affected policy is based on interviews with senior officials in the U.S. and China, including those in the White House and U.S. economic agencies.

For the White House and its allies, setbacks are short-term challenges as Mr. Trump remakes U.S. trade relations, especially with China.

"Trump has come up with tools that have shaken China to its core," says former White House chief strategist Stephen Bannon, including tariffs, investigations into Chinese trade practices and enforcement actions.

Before the May 22 meeting, Mr. Mnuchin was ascendant. He was pursuing a market-calming strategy of negotiating with China to increase purchases of U.S. goods and services and decrease import barriers, while putting aside, for the moment, the threat of sanctions.

Now his star has fallen and Mr. Lighthizer's has risen. Mr. Lighthizer, who favors a get-tough approach with China and other nations, is moving ahead with tariffs as a way to force China to make more fundamental changes to its economy. He wants China to reduce subsidies and other aid to Chinese firms competing internationally in advanced technology.

Unlike past Treasury secretaries, the 55-year-old Mr.

Mnuchin didn't manage the China portfolio. Initially, Mr. Trump gave that assignment to Commerce Secretary Wilbur Ross. Mr. Ross lost favor after he negotiated deals with the Chinese in mid-2017 that Mr. Trump dismissed as naive.

Early on, Robert Porter, then a senior aide, tried to smooth decision-making. He set up weekly meetings with key players in the trade debate. He would meet privately with Mr. Trump and present him with varying viewpoints. Officials agreed to stop undercutting each other by slipping into the Oval Office to make their cases privately to Mr. Trump.

In February, Mr. Porter resigned, facing accusations that he had abused his two ex-wives, charges he denied.

In his absence, the process that had been set up was scrapped and officials say the White House fell into a free-for-all. Mr. Trump agreed to impose steel and aluminum tariffs—one of the reasons for the departure of Gary Cohn, a top economic adviser and a former leader of the antitarriff faction inside the White House.

Mr. Mnuchin tried to assert himself in the spring. He lobbied to make a trade trip to Beijing, but was blocked by Mr. Lighthizer, who was also angling for the China portfolio.

On April 20, 2018, Mr. Trump approved Mr. Mnuchin's request, and added Mr. Lighthizer and Mr. Navarro, whose book, "Death by China," had made

Competition on the trade team for President Trump's ear is intense.

him unwelcome in Beijing.

The Treasury secretary used the May 3 trip to Beijing to put his stamp on U.S.-China relations. During the first day of talks, the delegation met as a group. On the second day, Mr. Mnuchin and Chinese officials rearranged the schedule so that he would meet one-on-one with China's senior economic envoy Liu He, according to administration and Chinese officials.

Angry at what he saw as a power grab, Mr. Navarro confronted Mr. Mnuchin on the manicured lawns of the Diaoyutai State Guest House. He argued the team should meet as a whole and make clear the U.S.

Trade Threats

President Trump has threatened to impose tariffs on \$50 billion of Chinese exports to the U.S., prompting China to make similar threats about U.S. exports.

Threatened tariffs on Chinese exports to U.S.

Machinery, mechanical appliances, electrical equipment

Miscellaneous

Transportation: vehicles, aircraft, vessels

Base metal and articles of base metal

Chemicals

Prepared foodstuffs, beverages, spirits, vinegar, tobacco products, edible fats

Note: Value of goods in 2017
Source: Peterson Institute for International Economics



U.S. Trade Representative Robert Lighthizer, above left, with trade aide Peter Navarro. Larry Kudlow, below right, with President Trump.

objections to Chinese practices, according to administration officials. Mr. Mnuchin felt progress could be made in one-on-one meetings. He later included others in breakout sessions.

The two sides felt they made enough progress that Mr. Liu came to Washington on May 15. This time, Mr. Mnuchin was in charge. A White House statement said Mr. Mnuchin "will lead the discussions"—and didn't include Mr. Navarro in the delegation.

That was the formulation the Chinese were seeking. In Beijing, Chinese officials built up Mr. Mnuchin, telling visiting foreign business leaders how constructive he had been in trying to ease the trade conflict.

In early May, Mr. Trump backed Mr. Mnuchin's plans to negotiate a deal involving more Chinese purchases of U.S. goods and removal of Chinese trade barriers, without resorting to tariffs and other sanctions.

With a potential summit on North Korea on the horizon, Mr. Trump sought help from China.

"He started changing his opinion on trade," says one person familiar with the White House inner workings. "He didn't mind people saying, 'We can't pick a trade war with China.'"

When Mr. Liu arrived in Washington last month, Mr. Trump invited him to the White House for 15-minute visit, which

stretched on for 45 minutes. Afterward, Mr. Kudlow said China had offered to boost annual purchases of U.S. products by "at least \$200 billion."

Behind the scenes, the Chinese had refused to agree to any deficit target. Instead, the two sides said they were working on a "framework" for future purchases.

Mounting turmoil

The apparent calm masked mounting turmoil within the White House. By mid-May, U.S. national-security officials were convinced that China wasn't helping on North Korea, and was actually trying to torpedo a June summit between Mr. Trump and North Korean dictator Kim Jong Un, U.S. officials say.

National-security officials saw no need to coddle Beijing. They backed Mr. Lighthizer's position that the U.S. needed to move aggressively to prevent Beijing from pressuring U.S. companies to transfer advanced technology—even if that meant imposing tariffs.

On May 18, the last day of Mr. Liu's negotiations, a small group of trade officials trooped to the Oval Office, where Mr. Trump told Mr. Mnuchin that he wanted specific commitments, not vague promises.

Outside the White House, Mr. Bannon was tapping his allies in conservative media to support a stronger stand on trade, according to individuals familiar with Trump trade policy. He argued that Mr. Mnuchin was soft on China and was letting down the president.

Mr. Mnuchin went on Fox News on the Sunday, May 20, to say, "We are putting the trade war on hold." But the tide was turning against him. Within hours of Mr. Mnuchin's comments, the U.S. Trade Represen-

tative's office put out a statement saying the U.S. may use "all of its legal tools to protect our technology through tariffs" and other means—putting China on notice that there was no true.

That Monday, one of Mr. Trump's favorite broadcasters, Lou Dobbs of Fox Business Network, attacked "the globalist wing" of the White House for allowing China to steal U.S. intellectual property and run up a huge trade deficit.

Mr. Mnuchin "is more than being nice" to China, he said on his cable-TV show. "He basically just said, I surrender, I'll give you what you want."

On Tuesday, May 22, the Washington Post editorialized that "Trump's trade war with China is over for now. China won."

The attacks ate at Mr. Trump, who hates being seen as soft on Beijing, say White House officials. Later on May 22, he called together his trade team and told them he wanted a tougher response.

The meeting led to the creation of a small team, with a prominent role for the U.S. trade representative, to come up with a policy that once again put pressure on China by threatening sanctions.

Pressure to move ahead increased over the next few days when President Trump once again faced criticism, this time over his administration's efforts to ease penalties on Chinese telecommunications giant ZTE Corp., a move designed to induce China to make trade concessions. Rather than bar U.S. companies from selling components to ZTE for a dispute involving breaking U.S. sanctions on Iran and North Korea, which amounted to a corporate death sentence, Mr. Trump was considering less Draconian mea-

sures.

A letter organized by Senate Majority Whip John Cornyn and signed by 27 senators warned the administration "not to compromise lawful U.S. enforcement actions" on ZTE, which it called a "serial and premeditated" violator of U.S. law.

On Thursday, the U.S. cut a deal with ZTE that would allow the company to continue operations, but only by paying an additional \$1 billion fine and agreeing to have Chinese-speaking U.S. enforcement agents reside in the company to make sure it doesn't violate U.S. sanctions laws.

Over the Memorial Day weekend, Mr. Lighthizer attended a dinner with Mr. Trump, while a drafting team readied a statement on tariffs and other sanctions, edited by the president, say administration officials.

Shortly before markets opened that Tuesday, the White House announced it would impose 25% tariffs on \$50 billion of Chinese goods that contained "industrially significant technology," shortly after June 15.

Later that morning, Mr. Navarro and Trade Representative General Counsel Stephen Vaughn briefed Trump supporters on the decision, say people familiar with the call. The pair said the media had gotten the story wrong on the Trump administration. President Trump was taking the toughest line in 40 years on China.

On May 30, Mr. Navarro went on Fox News to say that Mr. Mnuchin's statement that the trade war was "on hold" should be dismissed as an "unfortunate sound bite."

Steel tariffs were announced the next day. Now, the administration is examining whether to impose tariffs on foreign cars.



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GREATER NEW YORK

U.S. Sued For Denying Immigrants

Case involves change in policy that allows some illegal juveniles to qualify for green cards

BY CORINNE RAMEY

Some young illegal immigrants who have been neglected, abused or abandoned by a parent are being denied a pathway to green cards because of an abrupt change in federal policy, a lawsuit filed Thursday alleges.

New York applicants under 21 were once routinely granted special-immigrant juvenile status, which was established by the federal government in 1990 and allows them to obtain legal permanent residency. But this year, lawyers say, those aged 18 through 20 have been routinely denied.

The proposed class-action suit was filed in Manhattan federal court by public-defender group the Legal Aid Society and private law firm Latham & Watkins LLP. Legal Aid lawyers estimate about 3,000 young people with pending applications could be affected by the policy change.

"These kids, for at least the last 10 years, have been getting their applications granted," said Beth Krause, supervising attorney of Legal Aid Society's immigrant-youth project. "Now, with no change in law, either state or federal, they are being denied, and that's not right."

A spokeswoman for U.S. Citizenship and Immigration Services said the agency doesn't discuss pending litigation. In April, the agency said it had begun reviewing pending cases because it had received new legal guidance from its chief counsel.

Applicants go through a two-step legal process. First, a state juvenile court must find a young person is neglected, is dependent on the court or a court-appointed guardian and

that it isn't in his or her best interest to return to his or her home country. Then U.S. Citizenship and Immigration Services decides whether the young person is eligible for the special immigrant status.

Under state law, New York family courts maintain authority to appoint a guardian until people turn 21. In recent denials, the lawsuit claims, federal immigration authorities have said family courts aren't considered juvenile courts when establishing eligibility for immigrants aged 18, 19 and 20.

One of the suit's plaintiffs, which the complaint refers to as S.W., was about 7 years old when her grandmother sent her from Jamaica to visit relatives in Florida. While S.W. was away, her grandmother was fatally shot on a bus in Jamaica. Because S.W.'s parents had long been absent, her relatives cared for her, although her stay in the U.S. was illegal.

Family members shuttled S.W. between Florida, Albany, N.Y., and New York City, where she now lives with her aunt and uncle. She majors in criminal justice in college, which she attends part time because she doesn't qualify for federal grants and loans.

"I want to stay here to finish going to school," said S.W., now a soft-spoken 20-year-old with an interest in writing poetry. "I want to get a good job and live comfortably and not worry about whether I qualify for one thing or another."

In S.W.'s case, a state family court named her uncle as her guardian when she was 18. In March, federal authorities denied her application. "[The immigration agency] has determined that there is insufficient evidence to conclude that the order was issued by a juvenile court," her denial letter said.

Critics of awarding the special status to those aged 18 through 20 note that while denials like S.W.'s might seem



A 20-year-old Jamaican identified as S.W. is a plaintiff. She came to the U.S. when she was about 7.

harsh, adults don't warrant such protections.

"It seems like a back door to a green card rather than a legitimate concern for the welfare of a child," said Andrew Arthur, a fellow at the Center for Immigration Studies, a Washington, D.C.-based research group that calls for more-stringent immigration policies. "When you're old enough to go to college,

should you really be declared dependent on a juvenile court? Probably not."

Furthermore, Mr. Arthur said, special-immigrant juvenile status attracts young people who serve as possible recruits for gangs such as MS-13, which is linked to violence and killings on Long Island and elsewhere in the U.S.

U.S. Immigration and Customs Enforcement has said

that since May 2017 it had arrested 64 people with special-immigrant juvenile status in the New York City area as part of its effort to target members of MS-13.

Immigration advocates have accused ICE of wrongly determining that teenagers are associated with gangs.

An ICE spokeswoman said all 64 were gang members or associates.

Candidates Spar Over Detained Driver

BY ZOLAN KANNO-YOUNGS

Outcry over the detention of a pizza delivery driver spilled into the race for New York governor on Thursday.

Pablo Villavicencio-Calderon, an Ecuadorian national, was taken into custody on June 1 after he attempted to deliver food from a Queens pizzeria to the Fort Hamilton military base in Brooklyn.

When Mr. Villavicencio-Calderon failed to produce Department of Defense-approved identification, base officials conducted a background check and determined he had an active Immigration and Customs Enforcement warrant, according to a Fort Hamilton spokeswoman. The 35-year-old married father of two is now being held at a New Jersey detention center.

On Thursday, Gov. Andrew Cuomo contacted the driver's wife, Sandra Chica, to connect her to a lawyer with funding from a program he created last month that offers pro bono legal representation for immigrants. Ms. Chica, 38, had appeared with local elected officials at a news conference Wednesday to draw attention to her husband's plight. She said he had previously applied for a green card.

"Detaining a hardworking man, separating a father from his children and tearing apart communities doesn't make America safe, and a wrong minded immigration policy grounded in bias and cruelty doesn't make America great," Mr. Cuomo, a Democrat, said in a statement.

Cynthia Nixon, who is challenging Mr. Cuomo for the Democratic gubernatorial nomination, said Thursday the governor might have prevented the detainment with an executive order to expand access to driver's licenses to undocumented immigrants.

"Until Governor Cuomo stops dragging his feet, there will only be tragic stories like Pablo's," she said in a statement.

Mr. Villavicencio-Calderon had showed military officials his city-issued identification card, known as IDNYC, but he didn't have a driver's license, his wife said.

A Cuomo campaign spokeswoman said in a tweet the delivery driver would have been subjected to a background check even if he had a driver's license. "Anyone [without] military-issued ID would've been subjected to a background check," spokeswoman Lis Smith said.

An Army spokeswoman didn't respond to questions about access to the base.

The Fort Hamilton spokeswoman said previously that after Mr. Villavicencio-Calderon failed to produce the requested identification, he signed a waiver permitting the background check, which turned up the active warrant. In an interview with Telemundo, Mr. Villavicencio-Calderon said he never signed a waiver.

An ICE spokeswoman said Mr. Villavicencio-Calderon was issued a voluntary departure order by an immigration judge in March 2010, but he didn't comply. She declined to comment on Mr. Cuomo's support of the deliveryman.

'Sex' and the Campaign: Nixon Invokes Show

BY KATIE HONAN

Cynthia Nixon is finally embracing "Miranda" in her run for New York governor.

The actress and activist this week directly linked her political campaign with her character on the HBO show "Sex and the City" through a new line of merchandise that encourages "Mirandas" across the state to get to the polls.

"Miranda was a hardworking, hard-charging feminist calling out misogyny at a time when that behavior was seen as being a killjoy," Ms. Nixon said on Twitter. "I also think Miranda's flaws reflect the struggles we've seen within our real-life feminist movement."

Since announcing in March her primary challenge to Democratic Gov. Andrew Cuomo, Ms. Nixon had kept her distance from Miranda Hobbes, the powerful, workaholic lawyer she played for six years on the show.

Instead, she has tapped other moments to market her



subways," using the logos from those subway lines.

"Why would she run away from this?" said Christopher Malone, a political-science professor at Lehman College, of her "Sex and the City" connection. "I think that this is what got her here."

This week, to coincide with the 20th anniversary of the HBO show's premiere, the Nixon campaign released a line of T-shirts, hats and tote bags.

"I'm a Miranda and I'm voting for Cynthia" gear says. Baseball hats have "I'm a Miranda" written across the front, with "Miranda" scratched out and replaced with "Governor." The apparel ranges from \$28 to \$38.

Ms. Nixon, who has been endorsed by the Working Families Party, is far behind in the polls. A Quinnipiac University poll released on May 2 indicated Mr. Cuomo leads Ms. Nixon 50% to 28% in the Democratic primary.

The line of merchandise is a collaboration with Lauren Gar-

roni and Chelsea Fairless, who created the Instagram account "Every Outfit on Sex and the City" in 2016 and sold "We Should All Be Mirandas" T-shirts.

Last month, the campaign reached out to collaborate, and Ms. Garroni said they sent along ideas to connect the character to the candidate.

Ms. Nixon's role in the show was "something that needed to be addressed, and maybe connects how people know her to the person she is today," said Ms. Garroni.

In an op-ed published Wednesday on the website Refinery 29, Ms. Nixon reflected on her character and said Miranda empowered her as she launched her political activism. She said she loved that Miranda was smart, independent and determined.

"I always loved the character and I'm thrilled to see more women embracing her and celebrating the feminist movement, twenty years later," she said in a statement.

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GREATER NEW YORK

Losing a Tony Award Isn't All Bad

A number of Broadway shows that lost Best Musical have gone on to outperform the winner

BY CHARLES PASSY

When the Broadway hit "Beautiful" lost the Tony Award for Best Musical in 2014 to "A Gentleman's Guide to Love & Murder," producers Paul Blake and Mike Bosner were beyond disappointed. "We were devastated," said

FOOD & CULTURE Mr. Bosner. After all, the show, based on the life story of singer-songwriter Carole King, had proven itself a popular success going into the awards. And on the night of the Tonys, it picked up a prominent win for its lead actress, Jessie Mueller, who played the role of Ms. King.

But the producers didn't feel sorry for themselves for long. The show recouped its \$13 million investment within its first year, according to producers, and is still playing today on Broadway in addition to spawning tours and productions across the globe. Meanwhile, "A Gentleman's Guide" closed in early 2016.

"We didn't win the Tony, but we won the Bank of America award," Mr. Blake joked.

As Broadway prepares for this year's Tony Awards on Sunday night, it may be worth keeping the "Beautiful" story in mind. Particularly in a year when the show considered the favorite for the high-profile Best Musical award, "The Band's Visit," isn't necessarily seen as being as much a box-office gold mine as other nominees such as "Frozen" and "Mean Girls," both of which are based on popular movies.

Over the decades, several Tony-losing musicals have had longer runs than the winners from their years. Examples range from



Jessie Mueller, with Carole King, scored a Tony for 'Beautiful' but the show didn't win Best Musical.

"Grease," which was bested in 1972 by the now almost completely forgotten "Two Gentlemen of Verona," to "Rock of Ages," which lost out in 2009 to "Billy Elliot."

"Beautiful" isn't the only Tony-losing musical from 2014 still playing on Broadway. The Disney-produced "Aladdin" is also going strong—in fact, it has higher total grosses (\$332 million) than "Beautiful" (\$220 million) to date, ac-

cording to the Broadway League, a trade group.

Theater producers say that Tony voters, while mindful of quality, also often like to give a lift to a show that could use it, since the Best Musical honor typically results in a sizable box-office uptick.

An often-cited example: In 2004, the edgy musical "Avenue Q" topped the crowd-pleasing "Wizard of Oz"-inspired "Wicked,"

which is still running today.

As far as Tony voters were concerned, "Wicked" "didn't need to win" in order to prosper, said Ryan Stana, chief executive officer of RWS Entertainment Group, a New York-based company.

Nevertheless, Broadway producers who lose out on the big prize often devise a post-Tony strategy to minimize their defeat.

If the show has won

When Broadway's losers are winners

Some shows nominated for the Best Musical Tony Award that failed to win have lasted longer than the victor. Here are examples:

YEAR	SHOW	RUN*
2015	'An American in Paris' 'Something Rotten!' 'Fun Home' (Winner)	623 708 583
2009	'Rock of Ages' 'Billy Elliot' (Winner)	2,328 1,312
2007	'Mary Poppins' 'Spring Awakening' (Winner)	2,619 859
2004	'Wicked' 'Avenue Q' (Winner)	Still Playing 2,534
2002	'Mamma Mia' 'Urinetown' 'Thoroughly Modern Millie' (Winner)	5,758 965 903
1995	'Smokey Joe's Café' 'Sunset Boulevard' (Winner)	2,036 976
1994	'Beauty and the Beast' 'Passion' (Winner)	5,461 280
1991	'Miss Saigon' 'The Will Rogers Follies' (Winner)	4,092 981
1982	'Dreamgirls' 'Joseph and the Amazing Technicolor Dreamcoat' 'Nine' (Winner)	1,521 747 729
1979	'The Best Little Whorehouse in Texas' 'They're Playing Our Song' 'Sweeney Todd' (Winner)	1,584 1,082 557
1972	'Grease' 'Two Gentlemen of Verona' (Winner)	3,388 614
1969	'Hair' 'Promises, Promises' '1776' (Winner)	1,750 1,281 1,217

Source: Internet Broadway Database, *number of performances

other Tony awards, they will brag on that," said Sue Frost, one of the show's producers.

And theater professionals caution that even the Best Musical honor comes with a certain limitation—it is only a year before another new show earns the award.

"You can ride the winning train only so far," said Jack Viertel, a senior vice president of Jujamcyn Theaters, one of Broadway's main theater owners.

They're Being Rushed Off Their Feet



FANCY FOOTWORK: Students at Ballet Tech, a New York City public school, rehearsed Thursday at the Joyce Theater in Chelsea. Performances by the students will continue through Sunday.

GREATER NEW YORK WATCH

COURTS

Former Headmaster Accused of Abuse

The former head of New York's prestigious Dalton School has been accused in a lawsuit of sexually abusing a 14-year-old girl who lived with him and his wife while attending the school in the 1980s.

The suit filed Thursday in federal court in Newark accused Gardner Dunnan of molesting the girl in the fall of 1986. The woman, identified in the suit by her initials, J.S., claimed the abuse occurred at Mr. Dunnan's homes in New York and New Jersey.

The suit contends Dalton "knew or should have known" of the alleged abuse.

Mr. Dunnan didn't immediately respond to requests for comment. The school said it became aware of the lawsuit Thursday. "We take these issues very seriously and support any victim of sexual abuse," it said.

The suit seeks unspecified damages for alleged child sexual abuse, battery and intentional infliction of emotional distress by Mr. Dunnan, and negligent hiring, retention and supervision by Dalton.

NEW JERSEY

Lawmakers Approve New Gun Legislation

Declaring it New Jersey's response to a national crisis, lawmakers on Thursday sent a half-dozen measures tightening the state's already strict gun control laws to Democratic Gov. Phil Murphy's desk.

The Democratic-led Senate approved the bills that began advancing after a fatal high school shooting in Parkland, Fla., that left 17 people dead in February.

Mr. Murphy has said he is supportive of the measures as part of a campaign promise for more "sensible" gun-control laws.

The legislation, previously approved by the Assembly, has earned the scorn of gun-rights advocates who say they won't protect people and only hurt law-abiding residents.

Some of the measures require the seizure of firearms when a mental-health professional determines someone poses a threat. Another bill requires background checks for private gun sales. Another lowers the magazine capacity from 15 rounds to 10, with an exception for a popular .22-caliber rifle.

Associated Press

LONG ISLAND

Police Defend Child Abduction Response

Authorities are defending their response to the suspected abduction of a 2-year-old New York boy who was found dead with his father in Virginia in an apparent murder-suicide.

Suffolk County and New York State Police issued a joint statement Thursday amid criticism from Jovani Ligurgo's family for declining to issue an Amber Alert.

The agencies say they worked "quickly and diligently" to locate Jovani and were "extremely saddened" by his death.

Jovani and his 43-year-old father, John Ligurgo, were found Wednesday in a Jeep that had been set on fire in Raphine, Va. Each had a gunshot wound.

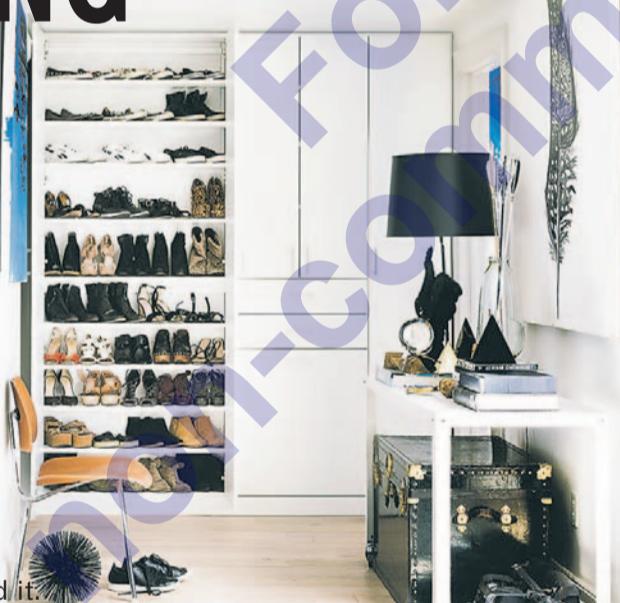
Mr. Ligurgo fled with Jovani on Tuesday after setting fire to the bedroom of his Long Island condominium, police said. Jovani's mother called police when he failed to return the boy to her home at 3:30 p.m., as required by a visitation order.

Suffolk police wanted an Amber Alert, but state police said information they provided didn't meet the criteria for one.

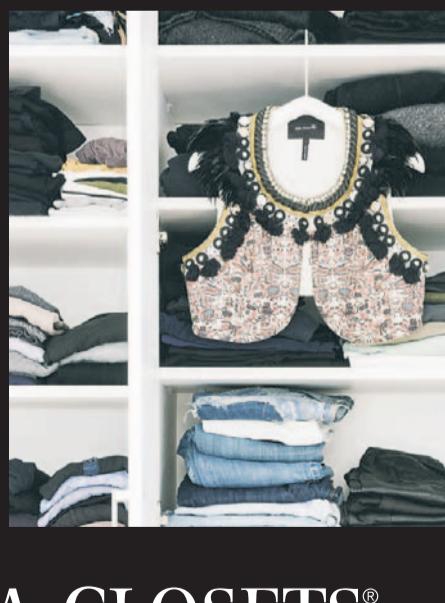
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Associated Press

LIFE & ARTS

TELEVISION REVIEW

By John Anderson

'The Staircase': A Bingeable Enigma

IT'S A BOLD claim, but I think I invented binge-watching, way back in 2004. The inspiration: An advance copy of "The Staircase," the eight-part, French-made, docu-mystery series about the murder trial of novelist Michael Peterson—whose wife had died, on Dec. 9, 2001, at the foot of the stairs of their Durham, N.C., home. Mr. Peterson said she fell. The authorities said otherwise. What followed was a sensational case, and an uninterrupted 384 minutes of viewing by me.

Director Jean-Xavier de Lestrade had already won an Oscar for "Murder on a Sunday Morning" (2001) when he finished "The Staircase" in 2004. (It aired here on Sundance Channel in 2005.) He followed up in 2013 with "The Staircase II." Now, Netflix is presenting a complete "Staircase," which includes three new episodes, and perhaps even a conclusion. The advice here: Clear your calendar.

There's something of an implied spoiler in announcing that new chapters have been added to the Peterson saga. Obviously, the case hadn't entirely concluded, not at the end of "Staircase II" and not even as late as 2017. And no one involved has died, outside of Kathleen Hunt Peterson, whose condition at the time of her 2001 death was the basis for outrage, speculation and an accusatory finger pointed at her husband: If she had, in fact, fallen—even down an entire flight of stairs—why was there so much blood? How would she possibly have incurred such severe lacerations to her scalp, seven wounds in all? (One subsequent theory, not included in the film because it was never raised at trial, was that Kathleen had been the victim of an owl attack, which sounds ludicrous, but maybe not when one sees the autopsy photos.) The prosecution claimed Michael Peterson had beaten Kathleen to death, but never found a murder weapon. Nor was Mr. Peterson's clothing covered in blood, as would ordinarily have been the case.

Except for saying he didn't do it, Mr. Peterson didn't offer up much of a storyline, so the prosecution was happy to oblige: The incitement to violence, they said, was Mrs. Peterson's discovery that her husband was bisexual—something he claimed she knew all along, but which the authorities nevertheless were willing to exploit to full effect in front of a North Carolina jury. In Mr. Peterson's favor was the public support of four of his five children, including his adopted daughters, Martha and Margaret Ratliff—whose widowed mother,

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FOCUS FEATURES (2)

FILM REVIEW | By Joe Morgenstern

Good 'Neighbor,' Superb Tribute

A documentary provides a nuanced look at the man behind 'Mister Rogers' Neighborhood'

'WANT TO SEE how long a minute is?" Fred Rogers once posed that question on "Mister Rogers' Neighborhood," and answered it by setting an egg timer, then waiting in silence for the thing to ring. Want to see the passage of time made manifest? Watch "Won't You Be My Neighbor?"—Morgan Neville's stirring and provocative documentary feature about the man and his show, which first hit the American airwaves 50 years ago.

On the surface the old episodes—some of them represented by clips from fuzzy black-and-white kinescopes—are charming antiques, what with their leisurely pace and production values that seemed quaintly retro even way back then. Yet that landmark public-television venture, which ended in the summer of 2001, poses questions for the here and now. Is there still a place for gentleness in the amped-up world of children's entertainment? For unconditional kindness? Quiet simplicity? ("Sesame Street" is smart and stylish, but quietude isn't its strong suit.) Rogers was an improbable pioneer of popular culture, an ordained Presbyterian minister with an academic background in child development and a passionate belief in the importance of kids' feelings. He is, as Mr. Neville's film demonstrates, a fertile subject for screen biography, and this is only the beginning of what promises to be a Fred Rogers revival: A biopic starring Tom Hanks as the TV host in the cardigan sweater is scheduled to open next fall.

A sense of time turns out to be an essential ingredient of what Rogers brought to the home screen—third only to his preaching-free teachings about loving one's neighbor (not for nothing did "neighborhood" figure in the show's title) and one's self. These days time on TV is measured in precious minutes or, in such extreme cases as Super Bowl commercials, prodigiously expensive seconds. Rogers chose to let time slide at whatever pace suited him as he looked little kids in the eye and told them



Fred Rogers with Daniel Tiger, above, and Rogers with François Clemmons, top

with steadfast conviction that they were loved, and lovable just as they were.

If all of this makes "Won't You Be My Neighbor?" sound like a bonbon wrapped in treacle inside a cream puff, the film is anything but.

Mr. Neville, an Oscar winner for his documentary feature "20 Feet From Stardom," devotes substantial time to the paradox of François Clemmons, the African-American actor who, for a quarter-century, played Officer Clemmons, the neighborhood's friendly cop.

In a celebrated episode that aired in 1969, when racists were thwarting efforts to integrate the nation's swimming pools, Mr. Rogers and the cop were seen beating the summer heat by rolling up their trousers and

happily plunging their feet into a small plastic pool of cool water. The symbolism was strong, but, Mr. Clemmons contends, Rogers had his limits as a liberal boss. With institutional sponsors to worry about, he wouldn't countenance the actor, who is gay, continuing in the role if he went through with his declared intention, in the early 1970s, of coming out. (Rogers was often rumored to be gay, but Mr. Clemmons, who remained closeted for the rest of his tenure on the show, goes out of his way—some might say needlessly far out of his way—to put that rumor to rest.)

"Won't You Be My Neighbor" also addresses a line of thinking that Rogers, along with others including Dr. Benjamin Spock, created several generations of narcissistic, hyper-entitled young adults by feeding them self-esteem nostrums when they were kids—telling them doting, and incessantly, that they were special without adding that genuine specialness in later life comes from high goals and hard work. It's a rap on Rogers that was later walked back, and rightly so. His show sought to allay fears and anxieties that can keep very young selves from developing any esteem at all.

Fred Rogers, who died in 2003, was himself no stranger to fears, anxieties or—most affectingly in Mr. Neville's documentary—growing doubts about the worth of his life's work in an increasingly violent world. In one episode we see his alter ego Daniel Striped Tiger, the shy feline with a strong resemblance to a glove puppet, wondering aloud if he's too tame, or a mistake." Coming out of retirement to tape several segments about 9/11, Rogers first wonders in his own voice: "I just don't know what good these are going to do." Then, on camera, he uses a Hebrew phrase to say "we all are called to be *tikkun olam*, repairers of creation." This beautiful film celebrates a deeply good man with a great gift for repairing.

TELEVISION REVIEW | By John Anderson

TIL CRASH-AND-BURN DO US PART



'Say Yes to the Dress: Atlanta' hosts Monte Durham and Lori Allen with Robin Gibbs, bridal manager of Bridals by Lori, and bride-to-be Dani Stafford

JUNE IS BUSTING out all over, brides are busting out of wedding gowns, cable is busting with wedding shows: "Bridezillas" returned last week on WE tv for a 12th season; Hallmark offers up "The Perfect Bride: Wedding Bells" on Saturday; UPtv airs "Betting on the Bride" on Sunday; Freeform's "Disney Fairy Tale Weddings: Relationship Goals" has its premiere on Monday. All you need is a bag of rice and a plate of cake and you never have to leave the couch.

The attraction of those reality-TV shows is a lot like Nascar, and one of the true phenomena of the genre is "Say Yes to the Dress," which began its 16th season in January—chronicling the occasional crashing and burning of various betrothed women and their bridal

posses as they venture into the no man's land of Kleinfeld's in New York. Perhaps even more remarkably, the show's principal spinoff, "Say Yes to the Dress: Atlanta," begins its 10th season Saturday after a two-year hiatus, still encompassing all those qualities that the makers of reality television thirst for: Confrontations. Personal confessions. Questionable taste.

The hosts, Lori Allen and Monte Durham, are delightful in a very scripted kind of way, but they do provide a "full-service" shop at Bridals by Lori: At one point, Monte is dispatched to buy a pregnancy test for a client, so they can attempt to gauge her dress-size-to-be. Another customer tries on a dress with so plunging a neckline her mother is "insulted." Such mo-

ments are what a wedding-show fan lives for. That, and a patron who explains, "It's my first wedding dress!"

TLC is following "Say Yes to the Dress: Atlanta" with a new show, "I Want THAT Wedding," in which couples will be exposed to various ceremonies and receptions without knowing the price, and be asked to pick their favorite. The couple in the premiere episode, Donia and Joey, agree about absolutely nothing. In the wild, wild world of reality TV, they seem perfect for each other.

Say Yes to the Dress: Atlanta, season 10
Begins Saturday, 8 p.m., TLC

I Want THAT Wedding
Begins Saturday, 9 p.m., TLC

FROM THE DIRECTOR OF 'THE BIG SHORT'

"SCINTILLATING DRAMA... IRRESISTIBLE ENTERTAINMENT"

...A FEROCIOUSLY SATIRIC SERIES...WITHOUT A DULL MOMENT"

THE WALL STREET JOURNAL

"ENGROSSING

...FIRST-RATE TEAMS
BOTH IN FRONT OF AND
BEHIND THE CAMERA"

CNN

"GRIPPING"

AV CLUB

"SHARPLY
WRITTEN

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Los Angeles Times

"A DAMN GOOD SERIES

THAT ONLY GETS BETTER...ADDICTIVE"

Indiewire



EXCELLENT
PERFORMANCES

theguardian

"IRRESISTIBLE"

THE NEW YORKER



DELICIOUSLY SAVAGE...
SMART...CLEVER"

COLLIDER

"A MASTERLY SHOW"

the Atlantic

"COOLLY ENTERTAINING AND SHARPLY ACTED"

...PERFORMANCES TO RELISH
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SPORTS

NBA

The Loss That Spurred a Dynasty

The game that made this Golden State Warriors run possible was their heartbreaking loss in the 2016 Finals

BY BEN COHEN

Cleveland

THERE IS SOMETHING curious about the part of the court where Kevin Durant took the shots that all but clinched the last two NBA championships for the Golden State Warriors.

In his line of sight both times he buried the Cleveland Cavaliers with nearly identical 3-pointers on the same basket was a lonely, wine-colored banner with the Cavs' logo and three unlikely words: 2016 NBA CHAMPIONS. It was a perfect backdrop. As it turned out, Durant was shooting almost directly into an explanation for why his team is now on the brink of back-to-back championships.

The Warriors have won more than any team in NBA history over the last four years because of a loss. The game that turned out to be the fulcrum of this era, Game 7 of the 2016 NBA Finals, had all the makings of an epic before it even started. The Warriors were one game away from completing the greatest season ever, and the Cavaliers were one game away from the greatest comeback ever.

What happened that night was nothing short of a classic. It took the most remarkable play of LeBron James's career before Kyrie Irving made the most clutch shot of anyone's career for the Cavs to beat the Warriors. But that's also what it took to make the Warriors unbeatable.

Kevin Durant was soon on the same team as Stephen Curry, and now they have a 3-0 lead on the Cavaliers in the NBA Finals before Game 4 on Friday night. It seems inevitable they're going to win a third championship in four years at some point in the next week. The Warriors are about to become a dynasty, and dynasties tend to be remembered by defining moments.

So what is Golden State's?

There was the strategic tweak in the 2015 Finals that launched the game's small-ball revolution, the Game 6 in the 2016 conference finals when Klay Thompson couldn't miss, Durant's breakthrough shots in Game 3 of the 2017 and 2018 Fi-



Warriors star Stephen Curry stands on the court during a loss to the Cavaliers in Game 7 of the 2016 NBA Finals.

nals and the collection of magical Stephen Curry performances that redefined the sport altogether. The Warriors won so much they really did get tired of winning. Over the last four years, according to Stats LLC, they won a higher percentage of their games than the Bulls, Lakers, Celtics and every other team that was so good it transcended the generation in which it played.

But the paradox behind this unprecedented concentration of success is that the Warriors probably couldn't have sustained all that winning if they hadn't lost.

Their place in basketball history was secured by an improbable turn of events in a Game 7 of the NBA Finals that has only become more consequential in retrospect. By losing one title, as it happens, the

Warriors may win at least two more.

Bob Myers, the Warriors' president of basketball operations, had changed into a T-shirt and sweatpants when he left Oracle Arena that night. Not long after his team's Game 3 win, The Wall Street Journal asked Myers to recall what he was thinking after that Game 7 loss.

"I thought that we gave it all we

could, and there's nothing wrong with getting beat," he said. "Obviously we were upset and wanted to win. But you have to lose well and win well. That's part of the job."

Myers went home and gave himself one night of indulgence: a grilled cheese and glass of whiskey.

"Never done that—not before and not since," he said. "It didn't work, either."

He only felt better when he got back to work the next morning for a round of exit interviews with the players. "I got to look at our guys," he said, "and they had the right mindset." They weren't sulking or blaming each other. The core players on what could have been known as the best NBA team ever realized the Warriors needed to get better.

It was not the first time that Stephen Curry, Klay Thompson, Andre Iguodala and Draymond Green had lost a Game 7 together. The Warriors had their 2014 season ended by the Los Angeles Clippers in a vicious series, and Myers soon got a call from Jermaine O'Neal, a wise old veteran who'd been in the league for so long that he soon retired. "Do not mess with this team," O'Neal said.

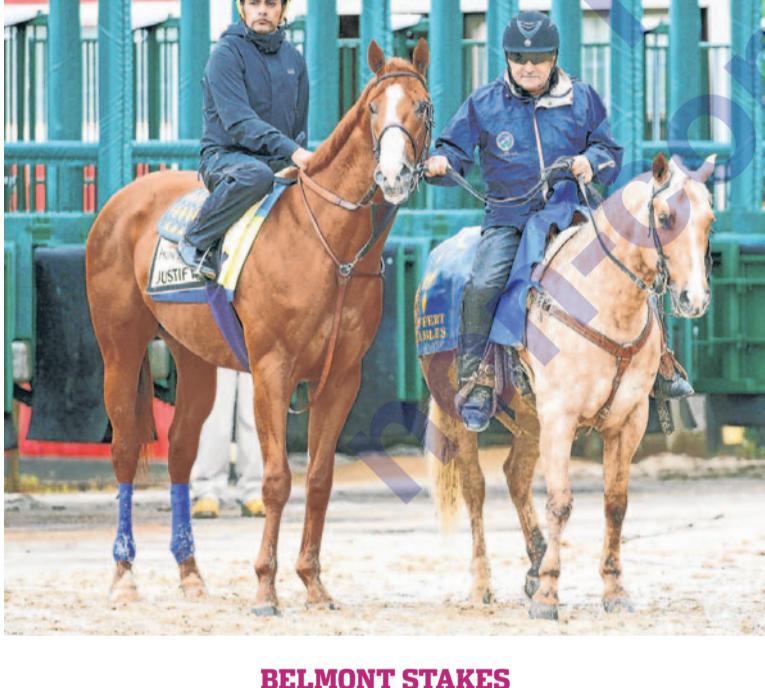
"They know how to lose," he told Myers. "They lose the right way. They care the right amount."

That phone conversation stuck with Myers as his team won the NBA championship the very next year under new coach Steve Kerr but especially when the Warriors lost in the most painful way possible in 2016.

The problem for the rest of the league is that Golden State used that loss to its advantage. They would have chased Durant that summer even if they were the reigning champions—the Warriors had spent years planning for his free agency—but who knows where he would have signed had Irving's shot been a millimeter in the wrong direction?

The truth is that the entire NBA would be different right now.

It was already clear in the haze of that night that the Cavaliers wouldn't have their 2016 banner. Only now do we know that the Warriors may have won the 2017 and 2018 championships that night, too.



BELMONT STAKES

JUSTIFY WILL NEED TO BE LIKE BOLT

BY JIM CHAIRUSMI

AT A DISTANCE of 1½ miles, the Belmont Stakes is a marathon. Yet Justify's hopes of becoming the 13th horse to win racing's Triple Crown could be settled in the first few seconds of this year's edition of the Belmont on Saturday.

The Belmont is nicknamed the "Test of the Champion" for the stamina and speed it takes to win. But this week, speed became the most crucial part of that equation after Justify, winner of the Kentucky Derby and the Preakness, drew the No. 1 spot in the starting gate for the Belmont.

At Churchill Downs and then again at Pimlico, Justify broke from the rail in the Belmont will force Justify to jump out quickly in order to be in a spot where rivals won't be able to hem him in, said

Justify's trainer, Bob Baffert. Since Justify has done his best running from on or near the lead, a speedy rival drawn to the outside could easily push the pace, a scenario that would potentially hurt Justify in the latter stages of the race.

And since the Belmont is only Justify's sixth career start, he hasn't spent much time running from behind, jockeying for position and getting dirt kicked in his face.

"I really didn't want him in the [No.] 1," Baffert said. "We have it, we can't change it, so [we] just deal with it."

Dale Romans, the trainer of Free Drop Billy, said concerns about the post are a bit overblown. "Going a mile and a half, if you're worried about the post, you don't belong," he said.

But the 65-year-old Baffert, who broke into the industry by training quarter horses to compete in shorter sprint races, compared the

importance of the start to Usain Bolt having to break quickly from the starting blocks in a 100-meter dash.

"I came from a sport where, if they didn't break, just forget about it," Baffert said. "So to me, it's like you'll hear football coaches that are specialized in the kicking game. Gate game is so important to me," he said.

Baffert said having Hall of Fame jockey Mike Smith guiding Justify around the track is comforting. "Mike Smith is really, really good from the gate. He's one of the best."

Richard Migliore, a retired jockey and racing analyst for XBTv, said the way Justify has broken from the gate in his recent races should allow Smith to position his horse wherever he wants. "Just allow him to use his natural stride and his natural gait because that will make other horses have to work harder to stay with him," Migliore said.

Besides Justify, Migliore said another horse to watch at the start is Noble Indy, one of two horses trained by Todd Pletcher, along with Vino Rosso.

"The key to the race is Noble Indy," Migliore said. "I think they are going to use Noble Indy to make sure there is a faster pace."

If the pace is fast, that could potentially set up the race for a runner from off the pace, such as Vino Rosso, Hofburg or even Gronkowski, the colt partially owned by New England Patriots tight end Rob Gronkowski.

This will be the fifth time Baffert has arrived in New York with the Triple Crown on the line, winning in 2015 with American Pharoah after Silver Charm (1997) and Real Quiet (1998) ran second and War Emblem (2002) finished eighth.

Although Justify might join American Pharoah in the history books on Saturday, Baffert said their personalities are completely different. "Pharoah loved human contact," said Baffert. "This guy [Justify] will let you love on him for about four seconds, and that's it. He bit me when I was walking him around."

NHL

The Caps Take the Cup

BY MATTHEW GUTIERREZ

After decades of heartbreak, the Washington Capitals are finally celebrating a championship.

The Capitals on Thursday night won the Stanley Cup for the first time in franchise history, defeating the Vegas Golden Knights 4-3 in Game 5.

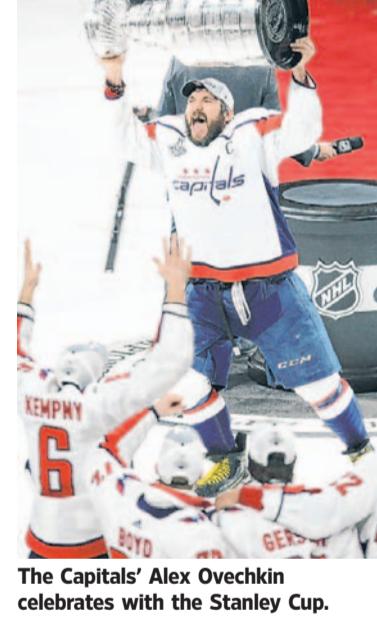
Washington entered the third period in Las Vegas down 3-2, but a pair of unanswered goals in the final period sealed the Cup.

Just before the halfway point in the third period, winger Devante Smith-Pelly tied the game at 3 with his seventh goal this postseason and third during the finals alone. Minutes later, with just under eight minutes on the clock, Brett Connolly fed the puck to Andre Burakovsky. Center Lars Eller came in right in front of the net and scored to give the Caps the lead for good.

Entering the season, the Capitals had to replace three top-six defensemen and two top-six forwards from last year's team—yet it all came together for the club this spring.

They were underdogs to beat the two-time defending champion Penguins in the second round of the playoffs, but beat Pittsburgh in six games. Prior to this year, the Penguins had eliminated the Capitals in each of the previous two seasons and nine of their previous 10 playoff series against Washington.

The Golden Knights, meanwhile, became the first NHL expansion team since 1980 to make the playoffs in their debut season. They didn't stop there. Expansion teams aren't expected to still be playing this close to the summer solstice—just ask the



The Capitals' Alex Ovechkin celebrates with the Stanley Cup.

Capitals, who won just eight games as an expansion team in 1974—but Vegas rolled on.

The Golden Knights' ascent began about a year ago, when they selected one player from each team in the NHL expansion draft. They entered the series with Washington having lost only three games all postseason, backed by players mostly in their mid-20s, save for Marc-Andre Fleury, the former Penguins goaltender.

But they met an overpowering Capitals team that won the Metropolitan Division with a 49-26 regular-season record. Washington was led by Alex Ovechkin, who in March became the 20th player in NHL history to score 600 goals and just the fourth to reach that number in fewer than 1,000 games. This is the first NHL title for Ovechkin, one of the greatest hockey players in modern history and the first Russian player to captain a Stanley Cup champion.

"It's just unbelievable," Ovechkin said after the game. "I'm so happy for my teammates and all the fans that are watching back in Washington."

The Capitals' run has created a buzz in the nation's capital, whose four major professional sports teams hadn't won a title since the NFL's Washington Redskins won the Super Bowl 26 years ago.

OPINION

Trump Goes on a Spending Diet



POTOMAC WATCH
By Kimberley A. Strassel

If the Trump White House has a congressional ally in its latest big objective, it's Rep. Tom Graves. The Georgia Republican is an appropriator, though not a business-as-usual spender. That's exactly the administration's new message: We're done with the usual.

With the economy reaping the fruits of tax cuts and regulatory reform, the Trump administration looks to be getting serious about a neglected campaign promise: spending restraint. Publicly, it's laying out a strategy to roll back the bloat in last year's omnibus. Privately, it's letting Republicans know that the president won't shy from taking his own party's lawmakers to task for failure. He'll have to, or risk flaming out on that crucial pledge.

Candidate Trump promised often to reduce the size of government. He vowed never to run an Obama-size deficit. His budgets have proposed dramatically slashing nondefense spending. Yet the tax cuts widened the deficit. And while Congress's \$1.3 trillion omnibus delivered on defense spending, Democrats demanded huge new outlays for domestic agencies. So Mr. Trump is presiding over trillion-dollar deficits after all.

Whether the president cares much about the economic consequences, he understands the

optics. The shellacking the omnibus got from conservative media allies was behind his hesitation to sign the bill, and it inspired his public declaration that he'd "never sign another" like it. With tax cuts done, and his economic team gelling under spending hawk Larry Kudlow, the focus has turned to keeping the promise on spending.

Enter Mr. Graves, who has spent his three years on the House Appropriations Committee shaking up the system. His subcommittee on financial services two weeks ago passed a \$23.4 billion fiscal 2019 spending bill—\$585 million less than the set spending level. In order to prevent any other committee from swooping in to grab that money, he used the bill to create what he's calling the Fund for America's Kids and Grandkids. The \$585 million goes in this fund and by law cannot be spent on any other government program until the U.S. is deficit-free. "Just because you can spend it, doesn't mean you should," Mr. Graves says.

Which is the White House's view exactly. This past month, letters from Office of Management and Budget Director Mick Mulvaney have been landing with every congressional subcommittee chairman, each with the same format. The letters thank the recipient for funding specific necessary items. They then less politely tick off a detailed list of wasteful, duplicative or unnecessary expenditures that the White House expects to see erased in any final bill.

The message: Democrats made us raise the domestic caps, but that's no excuse for spending at that level.

The letters tie back to the other tool the administration is using: rescission. The White House last month used that power to look back—sending over a \$15 billion package of spending it wants retroactively axed from the omnibus.

He promised no more Obama-size deficits. Can he lean on GOP lawmakers to deliver?

The OMB letters are a look forward, putting Congress on notice: If you include these items in upcoming spending bills, the president will at least put you on the spot by sending them back for rescission—if not by vetoing the bills.

The administration's challenge this week over funding for a new veterans health-care bill is designed to show resolve. Mr. Trump signed the VA Mission Act on Wednesday, and the White House has noted that its own 2019 budget found the money for such a program within existing budget limits. But Sens. Richard Shelby and Patrick Leahy, the Appropriations Committee chairman and ranking Democrat, are pushing for an additional \$50 billion, busting the cap.

The dispute shows the White House's biggest problem

with spending isn't Democrats—it's Republicans. On the one hand, the congressional GOP is taking the president's warning to heart, working harder to get spending bills passed on time and to avoid an omnibus. Senate Majority Leader Mitch McConnell specifically cited appropriations work as one reason he canceled the August recess. In the House, a competition among Appropriations Committee members to succeed retiring Chairman Rodney Frelinghuysen is spurring a useful race for competence.

On the other hand, Republicans like to spend. Senators are already griping about the OMB letters, complaining that spending below caps will blow up their "deal" with Democrats. But the alternative to confrontation is to cede the spending debate to Democrats, guaranteeing annual blowouts. As it is, House Minority Leader Nancy Pelosi is already threatening a September government shutdown by urging her members to vote against a pending "minibus" bill.

Washington will never lose its spending habit unless it's made to. President Trump has the perch to make this a cause, though he'll have to go all in, and make good on his demands. If he fails, it won't just be a knock on him and a broken campaign pledge, but a knock on a Republican Party that keeps promising spending reform—and never gets around to it.

Write to kim@wsj.com.

BOOKSHELF | By Brian P. Kelly

The Geeks Strike Back

I Find Your Lack of Faith Disturbing

By A.D. Jameson
(Farrar, Straus & Giroux, 288 pages, \$26)

The small cinema closest to my apartment is a paradise for fans of a certain sort of film, currently showing "Avengers: Infinity War," "Deadpool 2" and "Solo: A Star Wars Story." This onslaught reaches into our homes too, as shows based on Marvel Comics characters continue to roll out on Netflix and superhero rival DC gears up to launch its own streaming service. We are truly living in the golden age of geekdom—Comic Book Guy from "The Simpsons" would be thrilled—but how did the obsessions of Trekkies and Dungeons and Dragons players rise to the level of a pop monoculture? Readers seeking an explanation will find a partial answer in A.D. Jameson's *"I Find Your Lack of Faith Disturbing: Star Wars and the Triumph of Geek Culture."*

Mr. Jameson begins in 1977 with "Star Wars," but the story accelerates with that franchise's re-release 20 years later and the succession of popular geeky films that followed, including the "Matrix" trilogy, the "Lord of the Rings" trilogy and, later, Christopher Nolan's Batman trilogy, to name just a few.

That said, Mr. Jameson is less concerned with writing a history of this movement than crafting an explanation and an apologetia for geek culture.

Mr. Jameson clearly lays out the qualities that geeks appreciate in their art: realism bolstered by a deep internal history and the sort of "world-building" exemplified by Tolkien. But in Hollywood "Star Wars" changed the game thanks to its verisimilitude,

which immediately and thoroughly convinces viewers that they are watching humans and aliens skip from planet to planet in a vast, crowded other galaxy with its own detailed history. Similarly, the biological background of the "Alien" series includes Xenomorphs "whose intricate life cycle can be described from beginning to end in grisly detail." Books like "The Star Trek Encyclopedia," in which the show's designers document "all the alien planets and species that they'd invented" and present starship engineering schematics, are quintessential works of geek culture.

Detail is important to geeks, the author suggests, because they want a fully believable, escapist experience without "any boundaries, any limits. . . . They don't want the artwork to ever end." Whether it's playing a tabletop game filled with lore about previously unknown characters from the "Star Wars" galaxy or reading a "textbook" to study the fantastic beasts of the "Harry Potter" world, geeks want to believe—at least for a bit. As Mr. Jameson says, "geeks have long thought of artworks as places where one can hang out." That's one reason why single films have given way to trilogies and why characters have cross-populated to create Marvel's seemingly endless "cinematic universe."

The 'Star Wars' franchise and Marvel's superhero films reign supreme in today's Hollywood. How did that happen?

Mr. Jameson writes as a fan of geek culture and has a bone to pick with what he calls "prestige critics," arguing that they, and the public as a whole, "don't take geek culture seriously enough, being too quick to dismiss its artworks as stupid and frivolous." If anything, though, films of the sort he praises are given too much critical attention. Geeky films certainly aren't absent at the Oscars—Best Picture nominees have included "Mad Max: Fury Road" (2015) and "Arrival" (2016). And films from "Iron Man" (2008) to "Black Panther" (2018) have earned critical raves, establishing themselves as high points of the superhero genre.

But Mr. Jameson has a more troubling blindspot. He might be happy about geekdom's recently found popularity, but he doesn't seem to realize that these films crowd out creative competition. He acknowledges that "entertainment companies are increasingly turning to the franchise model in order to minimize risk" but fails to see that, as a result of hanging their earnings on tent-pole franchises, studios are unwilling to take a chance on outlandish ideas or off-the-wall stories. Geeky universes are far from insulated from this artistic lethargy, as major entertainment companies try to acquire as many geek-related properties as they can afford, bringing the creative futures of the storylines under risk-averse, profit-maximizing corporate control. Disney, for example, now owns both Marvel and Star Wars. That might make for good business but certainly not for good art.

The irony is that we have seen this film before. Indeed, Mr. Jameson praises the original "Star Wars" as "a product of the New Hollywood"—the period in the mid- to late 1960s when traditional studio systems broke down and censorship rules were loosened, allowing the likes of Francis Ford Coppola and Martin Scorsese to experiment.

While those directors were bringing new modes of storytelling to the depths of Vietnam or the rundown streets of New York, George Lucas was doing the same, only in a galaxy of his own invention. A vision as elaborate and idiosyncratic as "Star Wars" could not have been formed under the failing studio system.

As Mr. Jameson says, "Star Wars was Lucas's means of remaining independent." Mr. Lucas knew that if he had worked within the old system, he'd be "doomed to know what art was but surrounded by an Empire that didn't care." Thus in Mr. Jameson's somewhat melodramatic portrayal, the film's destruction of the Death Star is nothing less than the destruction of the Old Hollywood.

Today, though, we find ourselves in the same place—only it's Disney playing the Evil Empire. To move forward, a new Rebellion may be needed, in order to liberate filmmakers' creativity. That seems to be the great conflict that Mr. Jameson can't grapple with: that to make better geek movies, Hollywood needs to make fewer of them.

Mr. Kelly is the Journal's associate Arts in Review editor. Follow him on Twitter @bpkelly89.

Coming in BOOKS this weekend

Sherman's March to the Sea • The wall between Israel and Palestine • How FIFA got caught • A brief life of George Sand • The lost world between Scotland and England • Sam Sacks on new fiction • & much more

OPINION

REVIEW & OUTLOOK

Congress vs. Trump on Tariffs

Republicans have complained for years that the executive has encroached on the powers of the legislature, but the GOP hasn't done much to stop the invasion. This week a bipartisan coalition in the Senate is finally rebelling against the Trump Administration's unilateral trade war, and we're glad to see it.

Senator Bob Corker of Tennessee this week introduced a bill to rein in some of President Trump's power to impose tariffs and other trade restrictions. He's working with Pat Toomey of Pennsylvania, among others, including Democrats like Heidi Heitkamp of North Dakota and Mark Warner of Virginia, to minimize the damage from tariffs on steel and aluminum. The tariffs have invited retaliation from Canada, Mexico and the EU on everything from motorcycles to chocolate, and Mr. Trump may be willful enough to escalate.

The Corker bill would amend the Trade Expansion Act of 1962, which under Section 232 allows the President to impose tariffs or restrictions in the name of national security. This is the justification the Trump Administration has invoked to protect from the terror of Canadian steel used in American fighter jets. The Corker legislation would require the President to submit 232 restrictions to Congress for approval under an expedited process.

One reason for this mess is that Congress over time has ceded its Article I constitutional authority on trade to the President. This started after Congress observed the wreckage from its Smoot-Hawley tariffs in 1929 that kicked off a global trade war and contributed to the Great Depression.

Congress then gave FDR's Secretary of State Cordell Hull the power to negotiate bilateral deals that slowly rebuilt trade rules out of the wreckage. This led to the multilateral General Agreement on Tariffs and Trade in 1947 that laid the basis for the postwar economic boom. But as other economies recovered from the war, U.S. companies in steel and textiles began to clamor for protection again.

Congress, led by Democrats, responded by handing more trade enforcement power to Presidents. These include Section 201 and 301 of the Trade Act of 1974, as well as trade-negotiating authority that lets Congress approve presidential trade deals with a simple majority. This lets Congress caterwaul on behalf of special interests while blaming Presidents for not punishing foreigners. Democrats have long specialized in this accountability ducking.

The long-time assumption was that while Congress represented parochial or regional interests, a President would act in the national interest to expand trade. And for decades execu-

tives of both parties did. George H.W. Bush negotiated Nafta, while Bill Clinton pushed it through Congress. Free-trade Republicans in Congress passed bilateral trade deals under both Democratic and GOP Presidents.

Enter Donald Trump, who has now taken that authority and is using it for protectionist, rather than trade-opening, ends. It's no accident he's using Section 232, which gives him enormous latitude to define a national-security trade threat and virtually unlimited authority to impose a tariff or quota remedy. For the first time in nearly a century, a President is more protectionist than Congress, and Congress needs to rein him in.

* * *

The White House is now trying to block even a vote on Mr. Corker's bill, which he wants to move as an amendment to the National Defense Authorization Act. This annual bill tends to pass with generous bipartisan support, and the White House is arguing the Corker provision would hurt Mr. Trump's ability to negotiate trade deals. But it isn't clear that Mr. Trump wants any trade deals, and they may turn out to be lousy if he does.

Majority Leader Mitch McConnell is saying the Corker bill would be "an exercise in futility" because either the House or Senate might fail and show Congress is impotent, or the President will veto. But so what? Members of Congress don't take orders from Mr. Trump and they have their own principles and constituents to represent.

If they think Mr. Trump's trade policy is harming the economy, they have an obligation to try to stop him. They'll have more than a few allies. The National Retail Federation has endorsed the Corker bill, as has the Motor & Equipment Manufacturers Association. Jamie Dimon, chairman of the Business Roundtable, said this week that Mr. Trump's trade policy could undermine the strong economy.

A vote would also expose the cynicism of Democrats who claim the GOP won't stand up to Mr. Trump. Ms. Heitkamp of North Dakota and Claire McCaskill of Missouri are running against tariffs and the damage that foreign retaliation is doing to their states. But Minority Leader Chuck Schumer and Ohio's Sherrod Brown are griping that Mr. Trump isn't protectionist enough. Make them vote.

Mr. Trump might rage on Twitter, but Congress needs to send him a message that his protectionism isn't cost-free. Otherwise he might believe he can get away with blowing up Nafta, imposing a 25% tariff on imported cars, or shutting down trade with China. Mr. Corker's effort is a test of the Republican Congress's political will and its sincerity on the economic benefits of free trade.

Latin Americans Against Venezuela

The Organization of American States voted 19-4 on Tuesday for a resolution to suspend Venezuela as a member for

Venezuela bullies its neighbors, and many countries haven't been willing to oppose Caracas and its handlers in Havana without assurances that the U.S. would back them up.

The Lima Group is also making a big difference. Launched in 2017 to look for a peaceful solution to the Venezuelan crisis, the group consists of Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru and Saint Lucia. It is a non-U.S., pro-democracy front. This has moved the Venezuelan issue away from a phony debate about U.S. hegemony and forced countries to declare themselves on an issue of basic human decency.

The Cuba-Venezuela policy of using intimidation, drug trafficking and financial favors to gain support for dictators remains a danger, particularly in the Caribbean and Central America. But after flirting with the authoritarian left for nearly two decades, Latin America is taking a stand against it in Venezuela.

The OAS takes a rare stand against the Havana-Caracas axis.

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Kate Spade, Entrepreneur

The death this week of designer Kate Spade at age 55 appears to be an all too familiar case of suicide caused by depression. But the tragedy shouldn't obscure the story of Spade's remarkable success as a creative entrepreneur and a cultural trend-setter of classic good taste.

The designer built a fashion brand with style and classic good taste.

hundreds. Long before identity politics insisted on male and female quotas, she made her own success by creating products and a brand that made millions of women feel stylish and empowered.

She and her husband sold their company for tens of millions of dollars in 2006 but even after the sale guarded their brand with their modest

lifestyle and good behavior. Spade was a fashion celebrity by dint of her commercial success, but not a loud or ostentatious one. She wasn't a tabloid regular. Two years ago she and Andy began to create another fashion line, and it's a loss that its promise was cut short by her illness and death.

Spade's success is a reminder that the wonder that is the U.S. economy rewards—and needs—creativity of all kinds. A free economy lets women and men tap their talent to provide what people want—even before people know they want it, as Steve Jobs once put it. Spade's passions were fashion and handbags, but in that commitment she made a contribution as worthy as Steve Jobs did working on circuit boards in his California garage.

Mental illness is a scourge that afflicts millions, but the world's good fortune is that it didn't afflict Kate Spade before she could leave such a large legacy.

Spade's designs caught on with women of all ages with their bright colors, clean lines and elegant style. They had a sophisticated look that suggested luxury but were priced so middle-class women could aspire and save to buy them. Her brand has always traded in wit, grace and a functionality that is also feminine.

Long before the media celebrated millionaire actresses for demanding equal pay, Spade built a hugely successful business that employed

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LETTERS TO THE EDITOR

Catholic School Output Good, Input Limited

Regarding your editorial "The Catholic School Difference" (June 2): The self-discipline of the students cited was a result of the structure of the teaching conditions at those schools. This distinction is important because there is no reason that those conditions cannot be duplicated today.

Here are the two principles that differentiate Catholic schools from public schools. Catholic schools are populated by students whose parents want their children to be there. Catholic schools have no obligation to keep or accept students whom they consider "disruptive," i.e., undisciplined. These two principles put the teacher in charge of the classroom. Parents very soon come to understand that either they support the teacher or their child will no longer be in the school. Without support from the parents, the system will fail the child.

Support of the teacher by the parents has a profound influence on the child, who realizes he or she will not be excused for undisciplined behavior. Children aren't stupid—they will either conform or leave the school.

THOMAS A. HOGAN
Woodcliff Lake, N.J.

So Catholic-school students have better self-control than students in many other schools, especially public schools. Fancy that. If private schools find a student who doesn't fit their cri-

teria, e.g., self-control, they expel the child. Where do those children who lack self-control go? Oh, public schools.

GWYNNE PEALER
Ocala, Fla.

I spent nine years in a Catholic elementary school and consider them among the most formative of my life. At the time I thought otherwise, as Sister O., my second grade teacher, was so hard on me and insisted I repeat second grade because I was not meeting her expectations. When I thought I was done with her, the principal moved her to grade seven just as I was entering that grade. Eighty years later I can say: Thank you, Sister O., for helping me lead a full life.

RAY MCCOOL PH.D.
Madison, Wis.

In my day, Catholic schools typically weren't as advanced as the public schools in dealing with a plethora of complex problems, such as dyslexia, which I and my brother have. Dear Sister Judith told my mother there was nothing wrong with my brother that a good beating would not fix. That was his last day in Catholic school.

I had the blessing of being taught by some fine nuns and lay teachers at the Catholic schools I attended.

MICHAEL L. ANDERSON, P.E.
Newark, Ohio

Large PBMs Should Mean Lower Drug Prices

"Why CVS Loves ObamaCare" (Review & Outlook, May 30) paints a distorted view of the services CVS Health delivers for managed-care organizations, like the Ohio Medicaid program, and of our relationship with independent pharmacies in our network.

Our role as a Pharmacy Benefit Manager (PBM) is to negotiate the best price possible for patients and clients in an environment where prescription list prices are continually rising. And that's exactly what we've done in Ohio, where the savings to Ohio on prescriptions generated by PBMs exceed \$250 million in every budget cycle. We are proud that patients have access to the medications they need, while we also are good stewards of the state's resources.

The claim that we seek to drive independent pharmacies out of business is false. The vast majority of independent pharmacies belong to organizations that collectively negotiate reimbursements and discounts, including price adjustments after they invoice, with manufacturers and PBMs, allowing them to exert a significant competitive force in the market. We fairly compensate all of the pharmacies in our network. In fact, we reimburse independents at a higher rate than others in our network, including CVS

THOMAS MORIARTY
CVS Health
Woonsocket, R.I.

How can it be that 30 pills of Clopidogrel (75 mg) cost \$93 at CVS on 57th St. in New York City, and 90 of the same pills cost \$13 at Costco in Connecticut?

PRISCILLA SPENSIERI
Somers, N.Y.

Time to Repeal JFK's Executive Order 10988

While any federal workplace reform is appreciated, President Trump missed an opportunity ("Fresh Air in the Swamp," Review & Outlook, June 1.) He could have, and should have, simply rescinded President Kennedy's Executive Order 10988 that recognizes the right of federal workers to bargain collectively.

A strong case for its revocation can be made to the American public. Why should 2.2 million federal workers enjoy both robust civil-service job protection and union representation? No wonder why, according to the CBO, federal salaries are 16% higher and employee benefits 48% higher

than their private-sector counterparts. Outrageous.

Even that great champion of private-sector unions Franklin Roosevelt, of all people, thought unionization for federal workers was untenable, and wrote so: "All Government employees should realize that the process of collective bargaining . . . cannot be transplanted into the public service."

What's happened at federal departments like the Department of Veterans Affairs, with its unaccountable administrative and clinical failures and the Office of Personnel Management, with its cybersecurity rupture allowing the theft of 20 million-plus federal employment files (along with 5.6 million sets of digital fingerprint images) is sufficient evidence that this dual protection is a colossal taxpayer rip-off and a tragic disservice to those departments' constituencies.

President Trump should rescind EO 10988, decertify the federal employee unions and drain more swamp. That would really let in some fresh air.

WILLIAM A. MATTHEWS
Boston

Feds Must Change the Law About Opioid Alternatives

As an orthopedic surgeon who has seen the devastation of opioid addiction among postsurgical patients, I was heartened to read "The Heated Quest for Opioid Alternatives" (Journal Report, May 29). I regularly use opioid alternatives in practice and understand their important role in combating the opioid epidemic by stopping addiction before it starts. While I agree that it's past time to bring attention to these alternatives, these medications aren't feasible options for many patients because of existing federal regulation. Medicare restricts reimbursement for postsurgical nonopioids. To ensure that these innovative medications can truly make a difference in preventing addiction, policy makers must change existing Medicare payment policies to ensure patients have greater access to non-opioid medications in their surgical care.

SCOTT SIGMAN, M.D.
North Chelmsford, Mass.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of

OPINION

The French Navy Stands Up to China

By Jonas Pareollo-Plesner

This is China warship calling," a voice bellowed out over the radio. "The Nansha islands are under Chinese sovereignty. What are your intentions?" The reply from the French military vessel, where I was on the command bridge as an observer last week, was polite but curt. The French said their ships were operating in international waters. We were passing through the disputed Spratly Islands of the South China Sea when the Chinese frigate dialed in. It would not be our last encounter.

Several Chinese frigates and corvettes closely tailed our passage around Mischief, Subi and Fiery Cross Reefs. Those specks of land have popped up in international headlines in recent years as Beijing has transformed them into artificial islands with airstrips and military installations.

As we steamed through the disputed Spratly Islands, a voice demanded we radio our intentions.

This past weekend at the Shangri-la Dialogue, U.S. Defense Secretary Jim Mattis called out China's aggression as breaking Xi Jinping's promises. "China's militarization of the Spratlys," Mr. Mattis said, is in "direct contradiction to President Xi's 2015 public assurances in the White House Rose Garden that they would not do this."

Backing up American words, the U.S. rescinded China's invitation to participate in joint military exercises in the Pacific. The U.S. Navy also conducted its own freedom-of-navigation operation in the disputed Paracel Islands, on which China recently landed a strategic bomber. Still, the Trump administration has not presented a broader strategy to counter China. What is sure is that the U.S. could use allied assistance.

Americans are used to hearing about lazy European allies unwilling to pay for their own defense. They should consider the French action. Since 2014, France has sailed regularly through the South China Sea to uphold freedom of navigation. France remains a naval power that can project force out of its overseas territories, including French Polynesia, New Caledonia and Réunion Island. President Emmanuel Macron is building stronger defense relationships with India and Australia, and he seems to be realistically assessing the growing Chinese challenge. This is a welcome change from his predecessors, who were enthralled by the business and investment opportunities in China.

France is rallying other Europeans to put action behind the declarations of free navigation. That was the message at the Shangri-la Dialogue from French Defense Minister Florence Parly. "The fait accompli is not a fait accepted," she said, a clear reference to Chinese attempts to deny international access to disputed waters. France's missions could be the foundation for a multinational European operation. European Union leaders remain split on how to approach China. But as a first step, the French warship I was on included a U.K. helicopter detachment and European observers, including from Germany.

China tries to frame the freedom-of-navigation operations as driven by U.S. expansionism. That's why Beijing protests American exercises while giving those by France, Australia and the U.K. a pass. Even an increasing number of Western operations might not break China's de facto stranglehold on the South China Sea. But as French warships have now demonstrated, the coalition for free navigation is growing.

Mr. Pareollo-Plesner is a senior fellow at the Hudson Institute.

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It's Trump's Economy Now

By Stephen Moore
And Arthur Laffer

Liberals have opposed virtually every move President Trump has taken on the economy, which makes it inconvenient for them that economic conditions are so universally positive. It is hard to find a single indicator that isn't pointed in a bullish direction. That's why the left is now forced to argue that Mr. Trump's economic success is really the continuation of a trend that began under President Obama.

Take the new book by former Obama adviser Ben Rhodes, "The World as It Is." Mr. Rhodes quotes President Obama as saying shortly after Mr. Trump's victory: "I've got the economy set up well for him." That self-congratulatory line was repeated in the media seemingly 1,000 times after Friday's blockbuster jobs report.

Is it true? Yes, but not in the way Mr. Obama and the Trump haters think. As advisers during the 2016 campaign, the two of us told Mr. Trump over and over that he could get America back on a path of 3% to 4% annual growth. After seven years of the weakest recovery since the Great Depression, we felt confident that simply turning the policy dials from antibusines to pro-business would have an enormously stimulative effect. Mr. Trump agreed—and that's precisely what he has done as president.

Mr. Obama might be justified in taking credit for today's economy if his successor had adopted and carried on his policies. Instead, Mr. Trump has reversed nearly every Obama rule, edict and law that he can legally overturn. At its core, the Trump economic strategy wasn't complicated: systematically repeal Mr. Obama's "accomplishments"—the tax increases, the regulatory blitz on business, the welfare expansions, the



ROBYN BECK/AP/GTY IMAGES

President Trump and former President Obama after the inauguration.

war on American fossil fuels, and so on. As a result, the economy would pop like a cork pulled from a shaken champagne bottle.

Mr. Obama does deserve credit for the long and durable recovery. But it was a very shallow one that left much of the country behind. Our estimate of the "growth gap"—the difference between where the economy was in 2016 and where it should have been with a normal recovery—was an accumulated \$2 trillion to \$3 trillion in annual output. We felt confident Mr. Trump could recapture that lost output.

Don't forget, too, that liberal economists were convinced the economy would crash and burn if voters picked Mr. Trump. Former Treasury Secretary Larry Summers lamented that "if he were elected, I would expect a protracted recession to begin within 18 months." A month before the election, the Washington Post ran an editorial with the headline: "A President Trump Could Destroy the World Economy."

Democratic financier Steve Rattner warned on MSNBC: "If the unlikely event happens and Trump wins, you will see a market crash of historic proportions." In the wee hours after Election Day, with Mr. Trump the likely victor, Paul Krugman declared: "We are very probably looking at a global recession, with no end in sight."

The smart set argued that getting economic growth to 3% was virtually impossible. Yet 18 months into Mr. Trump's tenure, the economy is

already nearing that mark, with no recession in sight. It turns out that 3% growth seemed impossible to the left only because Mr. Obama's Keynesian policy prescriptions failed to do the trick.

It's a little rich that liberals who

warned the economy would melt down under Mr. Trump are now insisting

that growth was in the cards all along.

If the economy and the stock market

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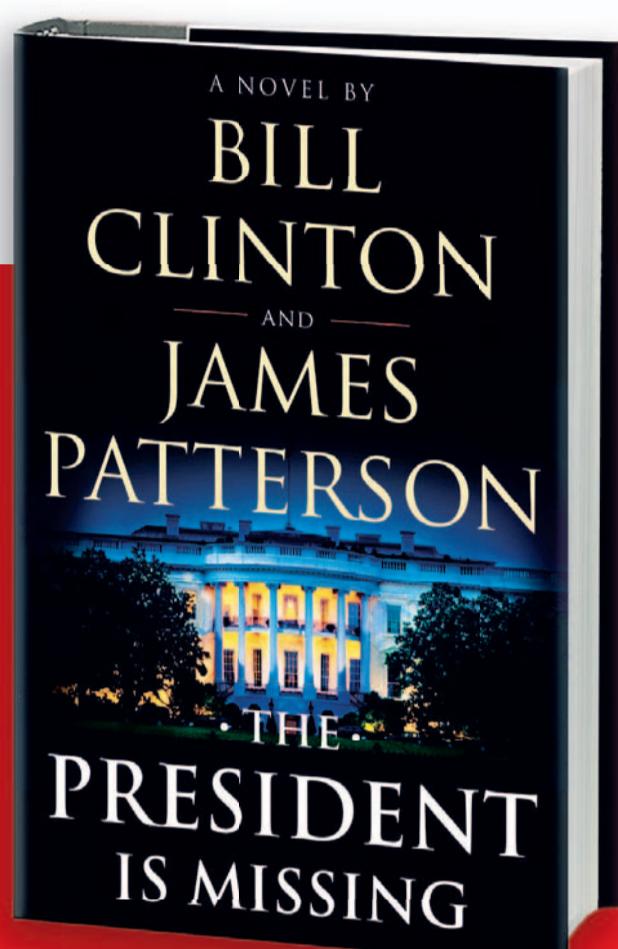
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“This book moves like Air Force One. Big and fast.”

—Michael Connelly



“Marry the political savvy of Bill Clinton with the craftsmanship of James Patterson and you get

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THE WALL STREET JOURNAL.

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NTSB Sheds Light on Tesla Crash

Report confirms driver's hands weren't on wheel before fatal impact

BY TIM HIGGINS
AND MIKE SPECTOR

A U.S. safety investigation into a fatal crash in March involving Tesla Inc.'s driver-assistance feature confirmed that the driver's hands weren't on the wheel in the seconds before the collision while also showing the vehicle sped up just before impact.

The preliminary report on Thursday from the National

Transportation Safety Board didn't address the likely cause of the crash but shed new light on both the driver and car. A final conclusion is due out in the months ahead.

The Model X electric, sport-utility vehicle accelerated in the final seconds to about 71 miles an hour before the March 23 crash in Mountain View, Calif., according to the report. The Tesla system, called Autopilot, had alerted the driver to put his hands on the steering wheel more than 15 minutes before the collision, but apparently not in the moments before impact.

The findings come as auto makers and Silicon Valley are

testing technologies that allow for varying levels of automation behind the wheel. Those include systems with driver-assist features—such as Tesla's Autopilot—as well as those that enable fully self-driving vehicles.

Fatal crashes have fueled concerns about whether driverless technology is ready for the real world.

A Tesla spokeswoman pointed to a previous company blog post about the incident that touted the safety of its vehicles. "Tesla Autopilot does not prevent all accidents—such a standard would be impossible—but it makes them much less likely to occur," she

March blog said. "It unequivocally makes the world safer for the vehicle occupants, pedestrians and cyclists."

When Autopilot is activated by a driver, the system's sensors and cameras keep the vehicle in its lane and at a set speed and will adjust that speed if following a vehicle. It also can detect when a driver isn't engaged with the steering wheel.

Phil Magney, founder of consultancy VSI Labs, estimates that hands-free time without an alert can be about two minutes, which he has said is too much. "The driver misused the system because of the liberal grace period," he said.

Preliminary recorded data indicated the vehicle's traffic-aware cruise control, one of Autopilot's features, was set to 75 mph at the time of the March crash. The speed limit on the relevant area of the roadway is 65 mph, the NTSB said.

The agency's findings confirmed what Tesla had already said after the crash: The driver's hands weren't detected on the wheel six seconds before the crash.

The NTSB added new details, saying the driver's hands were detected on the wheel three times within a minute before the collision, for a total

Please turn to page B4

At WPP, Chairman Advocates Overhaul

BY NICK KOSTOV

The chairman of WPP PLC is pushing for an overhaul of the world's biggest advertising conglomerate now that Martin Sorrell, its architect, has left the firm.

In an interview, Chairman Roberto Quarta said there will be "no sacred cows" in deciding how to restructure the company. Mr. Quarta said he expects some minority stakes WPP holds in other firms to be sold in the second half of the year, and he didn't rule out merging some of the ad giant's flagship creative agencies, such as **Young & Rubicam**.

The business model that Mr. Sorrell pioneered—amassing an alphabet soup of ad agencies under one holding company—"worked for a number of years but since then things have moved on," Mr. Quarta said. "We are going to revisit all of this."

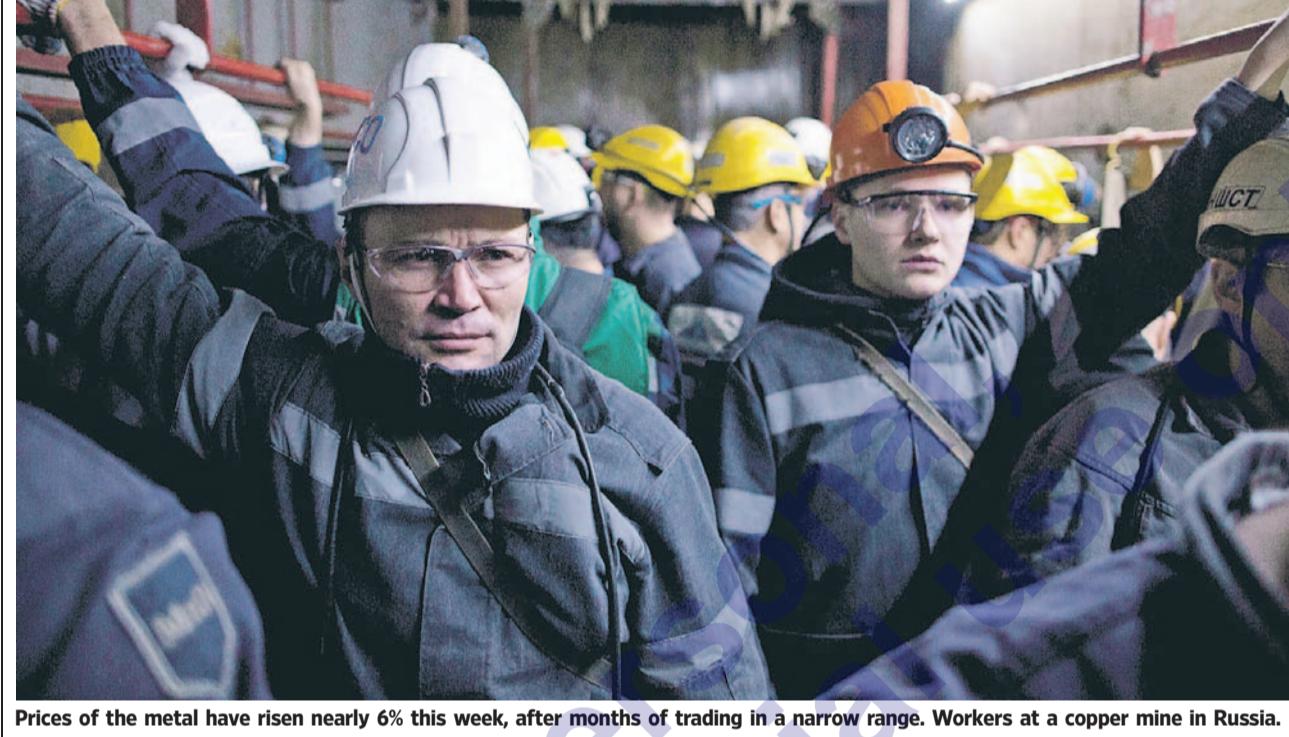
Mr. Quarta's remarks are a message to investors and others ahead of next week's annual meeting of WPP shareholders who are due to vote on whether to re-elect Mr. Quarta, who joined WPP in the summer of 2015. The meeting already was shaping up as a referendum on Mr. Sorrell's legacy after prominent shareholder-advisory groups recommended that shareholders vote against Mr. Quarta, citing a lack of transparency over the handling of Mr. Sorrell's departure and concerns over succession planning.

In April, Mr. Sorrell resigned as chief executive after an investigation into allegations of personal misconduct and misuse of company assets. WPP has declined to disclose the findings of the probe, citing data-privacy law. It said amounts involved weren't material to WPP. Mr. Sorrell denied financial impropriety.

Mr. Sorrell, 73 years old, had led WPP since he founded the company in 1986, helping to transform a little-known U.K. wire-shopping-basket maker called Wire & Plastic Products into a colossus spanning public relations, consulting and creative advertising.

Mr. Sorrell, who didn't have a noncompete clause in his contract, has stirred investor worries that he will cherry-pick WPP's business, according to some of the company's major shareholders. In May he announced plans to create a rival advertising firm after saying that clients were looking for firms like WPP to be "more agile, more responsive, less layered, less bureaucratic, less heavy." Institutional shareholders have made non-

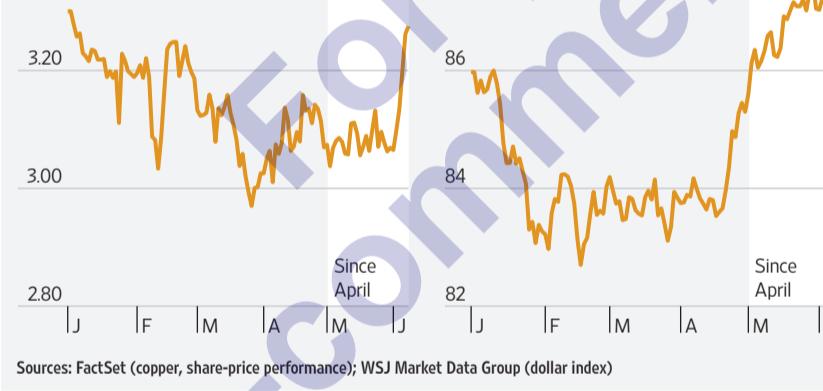
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ANDREY RUDAKOV/BLOOMBERG NEWS

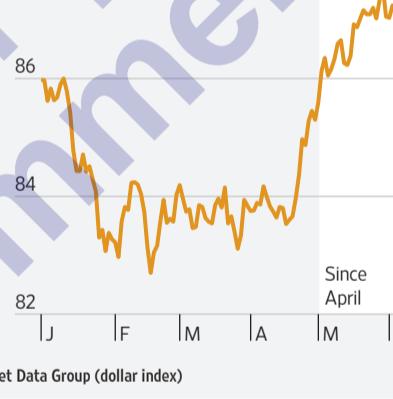
Prices of the metal have risen nearly 6% this week, after months of trading in a narrow range. Workers at a copper mine in Russia.

Copper futures price, most-active contract

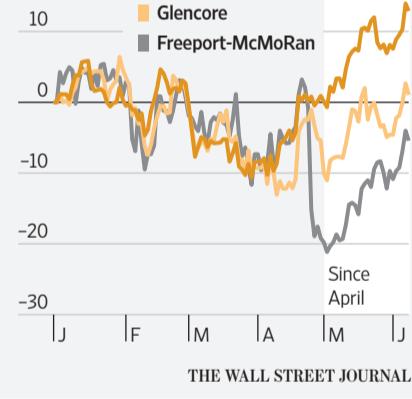


Sources: FactSet (copper, share-price performance); WSJ Market Data Group (dollar index)

WSJ Dollar Index



Share-price performance, year to date



THE WALL STREET JOURNAL

Copper Prices Near Four-Year High

BY BENJAMIN PARKIN
AND AMRITH RAMKUMAR

Copper prices leapt to nearly their highest level in more than four years as threats to production and renewed confidence in global growth sent investors flocking to the industrial metal.

The copper market stagnated in the early months of 2018, but prices have rallied since last week.

"It seems to be on fire at the moment," said Robin Bhar, head of metals research at Société Générale.

The rally in copper prices and the growing comfort of investors with the health of the

global economy stand in contrast to the turbulence hitting emerging markets. Apprehension over recent labor unrest, shaky economic growth and a presidential election slated for October have rocked markets in Brazil lately, with the country's Bovespa stock index falling 3% Thursday to its lowest level of the year. The Brazilian real, meanwhile, tumbled 1.4% against the dollar to a fresh multiyear low.

Most-active copper contracts for July delivery touched \$3.3155 a pound at the Comex division of the New York Mercantile Exchange, just shy of the highest point since early 2014, before pulling back

to close at \$3.275. Prices have risen nearly 6% this week, ending several months of trading in a narrow range.

Labor negotiations between BHP Billiton PLC and miners at its Chilean Escondida operation, the world's largest copper mine, sparked much of the buying, traders said. Talks broke down last year, prompting a 44-day strike that boosted copper prices. Authorities in India also recently ordered Vedanta Resources PLC to close its Tamil Nadu-based copper smelter, which contributes 400,000 tons to annual global supply, after multiple people were killed at antipollution protests.

Steady growth in China and globally has also helped the copper market. The World Bank estimated this week that the global economy will grow 3.1% this year, in line with 2017 despite recent upheaval in global trade relations. Recent data also showed healthy factory activity in China, which consumes about half of the world's copper.

A lower dollar made copper a more attractive investment. The WSJ Dollar Index, which measures the currency against a basket of 16 others, fell 0.1% Thursday. A weaker dollar makes dollar-denominated commodities less expensive for holders of other currencies.

INSIDE



14,300
STARBUCKS
ARE PLENTY

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BAIL-BOND
INDUSTRY IS PINCHED

FINANCE, B9

Facebook Exposed Postings

BY MARIA ARMENTAL

Facebook Inc. blamed a software bug for making posts public in late May—regardless of whether users intended to share the information publicly.

The error, which has been corrected, is the latest setback for the company, and challenges a key point that executives have made publicly to rebuild trust among users and government officials: that users have full control over their data and ultimately control what they share and with whom they share it.

"That's the most important thing that we do," Facebook Chief Executive Mark Zucker-

berg said in his April U.S. congressional testimony. "And I think that, in the product, that's quite clear."

In all, some 14 million users

being notified to go back and review their posts' settings.

The company has been under scrutiny in the U.S. and abroad for its handling of users' personal data and shortcomings on addressing such issues as the spread of misinformation through its platform and interference in elections.

Typically, users choose who they want to see their post, from the broad public setting to a more narrow audience, like friends or certain people within their friend list. Normally, the system remembers the last selection and suggests the same setting for future posts. The error, which made

Please turn to page B4

Mark Zuckerberg
stresses importance of giving users control over their data.

who had previously shared their posts with limited audiences but posted publicly during the time the bug was live—May 18 through May 27—are

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The company, whose products include Pillsbury cake mixes, has been spending more to boost sales of some of its traditional brands.

Smucker Is Pressed to Raise Prices

BY ANNIE GASPARRO AND ALLISON PRANG

Shares in **J.M. Smucker** Co. fell sharply Thursday after the maker of Folgers coffee and Jif peanut butter said higher costs hurt profitability in its latest quarter and that it needed to raise some of its prices.

Smucker has been trying to reshape its business, as it battles sales declines for well-established brands, such as Crisco oil and Pillsbury cake mixes.

Like other food makers, Smucker has invested in adapting its brands to consumers' demand for fresher, more natural food. But persistent declines in certain areas of the grocery store continue to weigh on the company.

Shares of Smucker fell 5.4% to \$100.80, and are off 19% for the year.

Chief Executive Mark Smucker said that while the fiscal quarter ending April 30 was disappointing, the company's prospects have improved since then.

"The recent actions we've taken toward transforming our business are indicative of a new pace of change and sense of urgency within our company," Mr. Smucker said, referring to portfolio changes.

In April, Smucker said that it would buy Ainsworth Pet Nutrition LLC in a \$1.7 billion deal that pushes it further into pet food.

The company also said it would explore selling its baking business, which includes Pillsbury products and Hungry Jack pancake mix.

Other well-known food companies, such as Kraft Heinz Co. and Campbell Soup Co., also have struggled with lackluster sales, as they try to adapt to

Retailer Stitch Fix To Start Children's Subscription Service

Stitch Fix Inc. reported continuing subscriber gains and said it would start selling children's clothes, as the online apparel seller looks to sustain its growth since going public last year.

The company, which selects and ships monthly boxes of clothes to subscribers, said it added 200,000 clients in the quarter ended April 28, reaching 2.7 million total. Its quarterly earnings rose 29% from

what shoppers want. At the same time, food makers are contending with higher costs for producing and transporting their products, as certain ingredient prices and freight rates rise.

To counter rising costs, they need to increase their retail

the previous year.

Stitch Fix had difficulty convincing investors during its IPO about its ability to keep up growth, and the shares were initially offered at \$15 a share. Its shares closed Thursday at \$19.67, down 4.7%, and jumped 6.5% in after-hours trading after it released its latest results.

It plans to launch its Stitch Fix Kids service by the start of the next school year, putting it into competition with traditional chains such as **Children's Place** Inc. and **Carter's** Inc. It didn't disclose pricing. In the past year, Stitch Fix has also expanded into plus-size

women's clothing and men's apparel.

The company also appointed Google executive Deirdre Findlay as its new chief marketing officer Thursday. Ms. Findlay previously oversaw marketing for hardware products such as Google Home and Chromecast.

The San Francisco company reported quarterly net income of \$9.5 million on revenue of \$316.7 million, compared with \$245.1 million in the year-earlier period.

It now employs more than 6,300 people, compared with 5,800 in March.

—Patrick Thomas

the company was "trying to strike the right balance between leading iconic brands and emerging brands."

He said some of the challenges Smucker faces are industrywide problems, and expressed confidence that management can navigate them.

Citibank analyst David Driscoll challenged Smucker executives on a conference call, saying the issue at hand is whether Smucker and the other packaged-foods companies "have the ability to take pricing to offset inflation." He said Smucker's latest results call that into question.

For its latest quarter, Smucker reported profit of \$18.5 million, or \$1.64 a share, up from a year earlier, though on an adjusted basis earnings for the period fell short of analysts' expectations. Net sales declined 0.1%, to \$1.78 billion.

Smucker's forecast for the just-started fiscal 2019 also came in below analysts' expectations.

Overhaul Advocated At WPP

Continued from the prior page
binding commitments to contribute more than £150 million, or about \$200 million, to the new firm, S4 Capital.

Mr. Sorrell's new venture is "a distraction," Mr. Quarta said. "Beware, I would hope that he would not want to jeopardize his good leaver" status, he added. "We're watching."

In order for Mr. Sorrell's long-term stock options to vest, the founder is bound by confidentiality agreements that cover his deep knowledge of company operations, its clients and acquisitions it explored on his watch, according to Mr. Quarta.

"He's not going to do anything that will risk his long-term benefits," a person close to Mr. Sorrell said, adding that S4 Capital was too small to be considered a competitor to WPP. Mr. Sorrell still owns almost 2% of WPP.

If Mr. Quarta is re-elected,

his first order of business will be hiring a new CEO. Mr. Quarta said he has a dozen candidates to succeed Mr. Sorrell and will winnow that number before presenting the candidates to the board.

Mr. Quarta said it also was "challenging" to recruit top talent to run a global firm based in London, where remuneration is typically lower than in the U.S.

Mr. Quarta says WPP's size is now weighing on the firm.

Underperforming WPP agencies will be merged into stronger ones or put up for sale if they can't be turned around, Mr. Quarta said.

"We have no sacred cows," he said. "On that basis, we'll be very objective in looking at the business."

Mr. Quarta has tasked Co-Chief Operating Officer Andrew Scott and Chief Financial Officer Paul Richardson with reviewing the company's minority investments in digital, media and marketing companies, including in **Vice Media** LLC and ad-tech firm **AppNexus** Inc.

He said he expects some of the stakes to be sold in the second half of the year to bring down the company's debt-to-earnings ratio.

anything other than a short-term boost. Perhaps it was significant that you didn't mention plans to reverse pension reform in your speech this week, but it would be wise to talk a lot about the few areas where overhauls were promised, such as the legal system.

The alternative is just to run a smaller deficit. Few will panic if you boost the budget deficit by a couple of percentage points. It would be easy to phase in spending and offset some of the cost of the lower "flat" tax rates by broadening the tax base to reduce the impact on the deficit.

Former Fitch Ratings head of sovereign ratings David Riley, now chief investment strategist at **Blue-Bay Asset Management**, says that "outside emerging markets, bond vigilantes haven't been very vigilant when it comes to fiscal pol-

icy, so how aggressive would they be on Italy?"

He thinks you could get away with a deficit of 3% to 4%, compared with 2.3% last year, especially if you managed to boost growth. But that would still require hard decisions on watering down coalition policies, cutting spending or raising new taxes.

The ratings firms watch deficits closely, and a downgrade to junk-bond status would be catastrophic for Italy's ability to raise financing by making its debt unacceptable to the European Central Bank. But to be junked by all the major ratings firms usually requires a country already to be in very serious trouble; Portugal got by on a single investment-grade rating from Canadian company DBRS for years. The ratings firms are unlikely to be the cause of a crisis.

If you lose faith with the bond market, you give Europe the upper hand. As Guntram Wolff, director of think tank Bruegel, says: "It is just too big, and the options become very quickly very nuclear."

The rescue funds used in the last crisis to keep Greece, Cyprus, Spain, Portugal and Ireland going are too small to support Italy. The ECB has the firepower but also has a record of making big demands for austerity and reform. Silvio Berlusconi even blames an ECB-led plot for his exit from the premiership in 2011. If you have to beg for help, the League-5 Star policy program is toast.

The alternative is to escape the need for support by leaving the euro, allowing you to gain competitiveness by devaluation and to use the Bank of Italy to finance the budget. Unfortunately, the upheaval would be terrible.

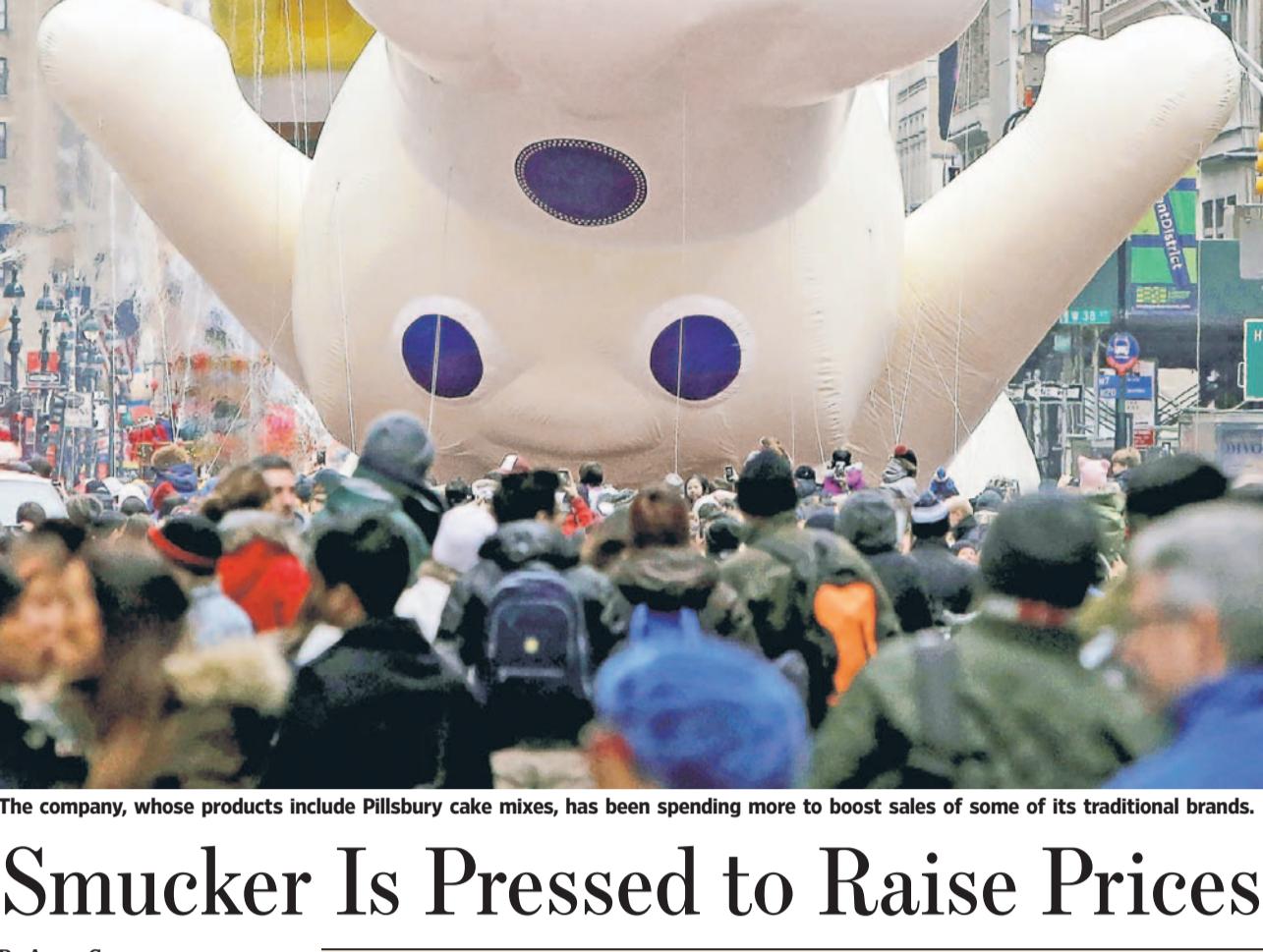
While it is true that only 45% of Italians think the euro has been good for the country, they would surely be infuriated as well as impoverished by the chaos of an emergency currency changeover. Much better to play nice with the bond markets, compromise on the deficits that would result from full adoption of the coalition's tax-and-spending plans, and talk up the prospects for long-run growth. Good luck.

Yours, etc.,
James



Giuseppe Conte must try to shepherd a fractious coalition.

BUSINESS & FINANCE



ANDREW KELLY/REUTERS

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PUBLIC NOTICES

IN THE GRAND COURT OF THE CAYMAN ISLANDS FINANCIAL SERVICES DIVISION FSD CAUSE NO: 95 OF 2018 IN THE MATTER OF THE COMPANIES LAW (2018 REVISION)

TAKEN NOTICE THAT a petition for an order that the petition and supporting affidavit may be obtained free of charge from the Petitioner's attorneys, Convey Direct, Pte Ltd at Cricket Square, PO Box 2681, Grand Cayman, Cayman Islands KY1-1104, Cayman Islands (the "Company") be put into liquidation and wound up in accordance with the provisions of the Companies Law as has been presented to the Grand Court of the Cayman Islands.

The petition was presented by The Public Institution of the Cayman Islands for an order that the petition and supporting affidavit may be obtained free of charge from the Petitioner's attorneys, Convey Direct, Pte Ltd at Cricket Square, PO Box 2681, Grand Cayman, Cayman Islands KY1-1104, Cayman Islands (the "Company").

The petition seeks an order that David Griffin and Andrew Morrison of FTI Consulting, Suite 3212, 53 Market Street, Camana Bay, PO Box 30613, Grand Cayman, Cayman Islands KY1-1203 and Chad Griffin of FTI Consulting, 200 Aldersgate, Aldersgate Street, London EC1A 4HD be appointed as joint official liquidators of the Company.

AND FURTHER TAKE NOTICE THAT the hearing of the petition will take place on 29 June 2018 at the Law Courts, George Town, Grand Cayman at 10:00am. Any creditor or shareholder of the Company may be heard on the questions whether or not a winding up order should be made and, if so, what up order, and who should be appointed as official liquidators of the Company. Any creditor or shareholder who opposes the appointment of David Griffin, Andrew Morrison and Chad Griffin must nominate an alternative qualified insolvency practitioner who consents to act and who has sworn an affidavit complying with the requirements of the Companies Winding Up Rules, Order 3, rule 4. Any creditor intending to appear and be heard on the petition shall give at least 3 days' notice to the Petitioner's attorneys.

6/8/2018

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Even if the commission developed a spine, fining Italy would surely help the euro doubters in your cabinet convince the general public of their claims that Europe has it in for Italy, as Daniel Gros, director of the Centre for European Policy Studies, points out.

A full-on fight with Europe might raise doubts about Italy's ability to stay in the euro. But you should worry more about the bond markets.

They don't care about European rules, which make little sense anyway with their arbitrary 60% cap of government debt to GDP. They do care whether Italy is able to sustain its vast pile of debt in euros, money that the Italian government can't print in an emergency, unlike lire. Convince investors that you will boost long-term growth, and they will accept some deficits in the meantime, although not as much as all the coalition's promises would require.

Unfortunately, your coalition's other policies offer scant support for the idea that the economy will get

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BUSINESS NEWS

Amazon Scores U.K. Soccer Deal

By STU WOO
AND JOSHUA ROBINSON

LONDON—Amazon.com Inc. raised its bet on live sports programming, buying the rights to broadcast a package of soccer games from the most popular sports league in the world, the English Premier League.

The broadcasting rights are limited to Britain, where viewers will be able to watch a small selection of 20 games a season on the company's Amazon Prime video service. But the move represents a significant boost to Amazon's so-far modest foray into live sporting events.

The company has disrupted handfuls of industries—from health care to the grocery business. Now, it could start chipping away at the power of traditional broadcasters that have dominated sports broadcasting.

Amazon's package of games won't necessarily include any of the league's marquee offerings, and it only covers two rounds of play. One is in the middle of the week and one on the Dec. 26 Boxing Day holiday. The Premier League is the only major league in Europe to schedule games that day.

That measured approach is consistent with Amazon's previous experiments in broad-

casting major sports leagues. The company last year broadcast 10 Thursday night NFL games, typically the league's least compelling matchups. That was part of a deal valued at around \$50 million. Amazon and the NFL renewed the deal for 2018 and 2019.

The Premier League rights cover three seasons beginning next year. Amazon will stream the games on its Prime video and one-day delivery service, which costs £79 (\$106) a year and competes with Netflix Inc.

The most popular games, contained in the largest packages of match days, were gobbled up this year by British pay-TV giant Sky PLC and BT Group PLC. Sky, which has aired the Premier League since its inception in 1992, bought rights for 128 games a season for £1.2 billion a year. The Premier League and Amazon declined to comment on the deal's value.

For the Premier League, the deal marks a potential turning point amid fears of market saturation in Britain. Sky and BT Sport will now air 180 of the 380 total matches played in a season. The U.K. still blacks out games that kick off in the traditional slot of 3 p.m. on a Saturday to protect stadium attendances.

The astronomical increase in the rights' value over the past two decades had also raised questions about how much higher it could go. The league's first rights deal, covering 1992 to 1997, was worth £191 million. The current three-year rights deal added up to more than £5.1 billion.

As it turned out, the 2016-2019 agreement may have been the Premier League's high-water mark, at least when it comes to domestic rights. When the offerings for 2019 to 2022 first hit the market last year, they failed to crack the £5 billion mark again. Two of the packages went unsold; one of them was the selection of games snapped up by Amazon this week.

Just a Slice

Amazon bought a small package of Premier League matches for broadcast in the U.K.

Sky Sports

128 matches

BT Sport

52

Amazon Prime Video

20

Source: Premier League

THE WALL STREET JOURNAL.



Traffic has been slowing to the chain's U.S. stores, which as a result of rapid expansion now exceed the number of McDonald's.

Starbucks Risks Stalling

By JULIE JARGON

Starbucks Corp. has opened more than 2,000 cafes in the U.S. over the past three years, a rapid expansion that has made the coffee chain omnipresent but also contributed to slowing traffic growth.

For years, Starbucks regularly posted quarterly same-store sales growth of 5% or greater in the U.S., but in 2016 it began missing analysts' sales targets. Late last year, it reduced its long-term sales and profit targets, and in April Starbucks reported that traffic to its U.S. stores was flat in its fiscal second quarter.

"The U.S. coffee market is becoming over-stored, and traffic is hard to come by," said John Zolidis, president of Quo Vadis Capital, an independent equity-research firm. "If they continue to open at the same rate, the impact of cannibalization will intensify."

Executive Chairman Howard Schultz was the chain's strongest advocate of aggressive growth, with the result that the nearly 14,300 Starbucks lo-

Chain Raises Price For Cup of Coffee

The cost of a cup of coffee just went up at most of Starbucks Corp.'s American cafes.

The chain this week raised prices by between 10 cents and 20 cents on all sizes of brewed coffee in the majority of the more than 8,000 company-operated stores across the country.

The price of a 12-ounce "tall" cup of brewed coffee

now ranges from \$1.95 to \$2.15. Prices on most other beverages the chain sells haven't been increased.

A Starbucks spokeswoman said the company evaluates pricing on a product-by-product and market-by-market basis.

In the first half of its current fiscal year, store operating expenses were up 9% from a year earlier, while the cost of sales including expenses such as rent rose 13%.

Coffee bean prices, which haven't fluctuated much, apparently weren't a factor.

cations in the U.S. exceed the number of McDonald's. Now, with Mr. Schultz's pending departure, company executives may have the opportunity to reconsider that strategy.

The opening of so many new stores is proving distracting to management, analysts say, at a time when it is juggling multiple tasks—from selling the rights to distribute Starbucks's packaged-coffee business to Nestlé SA to inte-

return on investment in new units—while still high by industry standards—has declined.

Ms. Senatore said Mr. Schultz's plan to step down from the company later this month may make Starbucks more receptive to the idea of pulling back. Spokespeople for Mr. Schultz said he declined to comment.

In April, Starbucks said its previous guidance of adding 2,300 net new stores globally in fiscal 2018 remains unchanged.

A Starbucks spokesman deferred questions about the company's store growth to recent presentations that finance chief Scott Maw gave to investors in which he explained that outsize sales from new stores tend to offset sales declines in nearby existing stores.

"We're not closing our eyes and saying everything is good," Mr. Maw told investors in March. "We still look at it store by store. We learn from every store we open, and we make adjustments."

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TECHNOLOGY

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Google Bans AI in Weapons

By DOUGLAS MACMILLAN

Google won't allow its artificial-intelligence products to be used in military weapons, the company said, as it tries to balance its "Don't Be Evil" mantra with the wide-ranging applications of its technology.

In a new 8,000-word set of ethical principles and guidelines, Google outlined how it plans to manage—and in some cases limit—the application of artificial intelligence, a powerful and emerging set of technologies that Google views as key to its growth.

Google, the primary business unit of **Alphabet** Inc., has recently come under criticism from its own employees for supplying image-recognition technology to the U.S. Department of Defense, in a partnership called Project Maven. Google told employees earlier this month it wouldn't seek to renew its contract for Project Maven, a person familiar with the matter said at the time, and that decision in turn was blasted by some who said the company shouldn't be conflicted about supporting na-



Google outlined how it plans to manage the artificial-intelligence products in a new set of ethical principles and guidelines.

tional security.

Google's artificial intelligence also recently generated public alarm after the company demonstrated a robotic voice that can trick humans into thinking it is real.

Google is having to expand its definition of ethics as its technology seeps more into the institutions of public life, from scientific research to military intelligence.

"These are not theoretical concepts," Google CEO Sundar Pichai said in the blog post

sharing the new principles. "They are concrete standards that will actively govern our research and product development and will impact our business decisions."

The principles are aimed at helping the company avoid missteps in developing new technology that could have harmful side effects.

They are also an attempt to give outsiders a window into the complex decisions that go into developing smart new machines.

While the principles go into great detail about the many ethical considerations of AI, they stop short of drawing clear lines that would prevent Google from undertaking controversial projects.

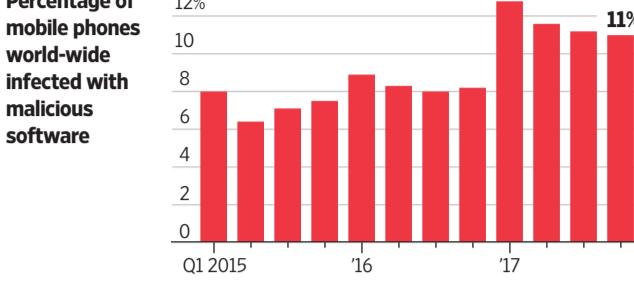
In its principles, the company said it won't pursue "technologies that cause or are likely to cause overall harm," nor will it develop AI for use in weapons. It is unclear whether this principle would have prevented Google from continuing its work on Project Maven, which supplied imaging tools used by drones. A company spokesman has said it isn't used for the purpose of firing offensive strikes.

Google is bidding for a multibillion-dollar contract to move the Pentagon's data into the cloud. The Pentagon's Joint Enterprise Defense Infrastructure cloud contract, known by the acronym JEDI, could be worth billions over a decade for cloud computing.

Google says new applications of AI should benefit society as a whole, seek to avoid unfair bias and be tested for safety.

Handheld Hacks

State-sponsored phone hacking is increasing as the smartphone becomes a bigger target.



State-linked mobile malware campaigns



Sources: McAfee (infections); Lookout (campaigns)

THE WALL STREET JOURNAL.

Spies Make Push Into Phone-Hacking

By ROBERT MACMILLAN

Spies are increasingly hacking into the smartphones of political opponents and dissidents around the world, security researchers say, giving them access to data far more sensitive than what most people keep on personal computers.

Mobile-security firm **Lookout** Inc. counted 22 phone-hacking efforts in the first five months of this year that appeared to be government-backed. Most targeted political opponents in developing nations, Lookout said. The company's researchers identified just two such efforts in all of 2015.

The increase is being driven by the proliferation both of low-cost smartphones and of companies selling spyware and hacking tools to access them, said Claudio Guarneri, a security researcher with the human-rights group Amnesty International. Most hacking efforts now target mobile phones, Mr. Guarneri said, while in 2015 the majority still involved personal computers.

"It is one thing to compromise someone's computer," said Mike Murray, Lookout's vice president of security research. "It's another thing to have a listening device that they carry around with them 24 hours a day."

The government-sponsored surveillance of mobile phones comes as more hackers of all stripes gain access to the devices. Turned against their owners, the phones can become powerful espionage tools, researchers say. Spies can monitor a user's contacts, communications, travel history and even their financial transactions.

The trend pits outfits that craft spyware tools against the cybersecurity companies and device makers trying to de-

fend user privacy. **Apple** Inc. and **Alphabet** Inc.'s Google both say they are committed to keeping their devices secure. But researchers say that malicious software often exploits known bugs on phones that haven't been patched and that malware can be sneaked into app stores. Antivirus vendors such as **McAfee** Inc. and **Symantec** Inc. see mobile-device protection as an important market for future sales.

The tools and expertise needed to create malicious software for mobile phones have become more common and less expensive, said Raj Samani, McAfee's chief scientist. As a result, close to 11% of mobile phones world-wide had some sort of infection in the fourth quarter of 2017, McAfee

The efforts are driven by low-cost phones and new spyware and hacking tools.

said, up from about 7.5% during the same period of 2015.

Victims are often tricked into downloading "Trojan horse" software that masquerades as a different program—a videoconferencing or security app, for example.

The software is often built by contractors or freelance developers who sell it to government clients.

Lookout recently discovered an effort to surveil about 100 civilians and government officials in Pakistan, Afghanistan, India and other countries, Mr. Murray said.

Lookout believes the espionage campaign was orchestrated by a spy agency that outsourced software-development work to coders who charged about \$50 an hour to develop a spyware tool.

Facebook Exposes Postings

Continued from page B1
all Facebook posts default to public, came about as the tech giant updated the code for users to share on their profiles "featured" posts like photos. Some users noticed the setting change and fixed it on their own.

Facebook said the error was fixed on May 22, and the company started to change all the posts in question back to the users' previous audience setting.

That process was completed by May 27, a Facebook spokeswoman said.

But some of those posts may have been meant to be shared publicly, so users would have to manually change the setting.

For example, if a person typically shares posts with friends but during that time frame announced a job change, opting for a public setting, Facebook's system would have changed that post back to friends only.

"We've heard loud and clear that we need to be more transparent about how we build our products and how those products use your data—including when things go wrong," the company said in a statement.

—Deepa Seetharaman contributed to this article.



The aftermath of the fatal crash of a Tesla vehicle in Mountain View, Calif., in March.

Report Examines Tesla Crash

Continued from page B1
of 34 seconds.

The vehicle's Autopilot system was activated for about 19 minutes before the crash, the NTSB said. During that time, the system provided two visual and one auditory alert for the driver to put his hands back on the steering wheel, the agency said. Those occurred more than 15 minutes before the crash.

In the seconds leading up to the crash, the Model X was traveling 65 mph while following another vehicle, the agency

said. The Tesla began steering left seven seconds before the crash, and after it no longer was behind the other vehicle it began accelerating three seconds before the collision to almost 71 mph, before running into a highway barrier.

"What strikes me from the NTSB preliminary report is that the car was silent—no visual or auditory alert at all—as it drove straight into the concrete median barrier," Todd Humphreys, an associate professor at the University of Texas at Austin whose research area is robot-perception systems, said in an email.

"Yet the car's forward radar must surely have sensed the highly reflective crash attenuator mounted on the barrier."

The Tesla made no attempt at braking or steering away

from the collision, the NTSB said.

The morning crash in Mountain View on Highway 101 killed the driver, 38-year-old Walter Huang. The vehicle's 400-volt lithium-ion high-voltage battery was breached in the crash, leading to a fire, investigators said.

Bystanders found Mr. Huang belted in the driver's seat and removed him from the vehicle before it became engulfed in flames, they said. He died from his injuries at a local hospital.

The lawyer of the driver's family said the NTSB's report backs up their claim that the car failed to detect the barrier. "The Autopilot system should never have caused this to happen," Mark Fong, a lawyer for Minami Tamaki LLP, said in a statement.

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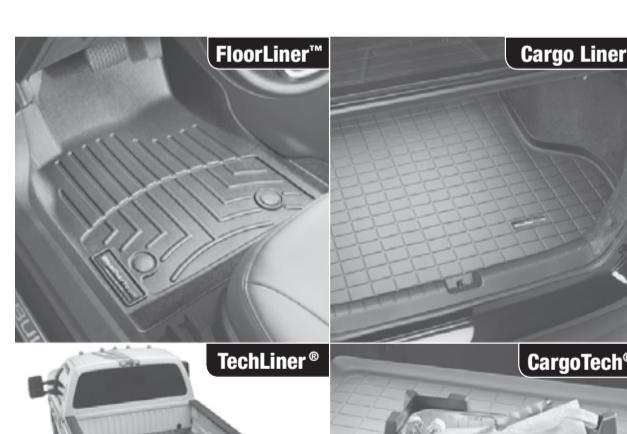
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BUSINESS NEWS

Oil Drillers Buy Offshore Brazil Fields

Consortium led by Exxon snags biggest block in auction that drew robust interest

BY LUCIANA MAGALHÃES AND PAULO TREVISANI

RIO DE JANEIRO—The world's largest energy companies lined up for a major auction of coveted Brazilian oil fields on Thursday, even as Brazil's government rolled back some market-friendly policies that would have made its oil industry more competitive.

Bidders offered more than \$800 million plus large shares of so-called profit oil to Brazil's government for the right to explore three blocks in the Campos and Santos basins, thought to hold about 14 billion barrels of oil.

A consortium formed by Exxon Mobil Corp., Statoil Brasil—a unit of Norway's Equinor ASA—and Portugal's Petrogal won the largest block, known as Uirapuru, with a \$679.4 million signing bonus plus 75.4% of profit oil—the production exceeding

what the consortium needs to cover costs. Brazil's state-controlled Petróleo Brasileiro SA, or Petrobras, exercised its right to be the operating partner, with a 30% share of the consortium.

It was the government's fourth auction for areas in the pre-salt region of southeastern Brazil where as much as 100 billion barrels of crude are believed to be locked under salt layers far beneath the seabed.

The smallest block on sale, known as Itaimbezinho, failed to attract bidders. Still, the final result was within market expectations.

"Competition was very high," Brazil's top energy regulator, Decio Oddone, said to reporters after the auction. "The Brazilian society will appropriate 90% of pre-salt proceeds."

The pre-salt reserves were discovered in 2006, but private companies were kept away and production delayed by rules that required Petrobras to be the operating partner with at least a 30% stake in any consortium in the region.

The government eased those rules last year to allow



Brazil last year eased rules that required Petrobras to be the operating partner in any consortium.

other companies to work without Petrobras if the state giant declined to participate in a project, although Petrobras still has the option to be the operator in areas it chooses.

Despite wavering over fuel prices, the government has a history of respecting contracts in the oil industry, leading analysts to believe companies securing blocks in the pre-salt

would avoid any potential backpedaling in the future.

Exxon Mobil, which is becoming one of the largest players in pre-salt, noted that its latest winning bid brings to

25 the total blocks it has in offshore Brazil.

"Uirapuru is a uniquely valuable block that represents tremendous opportunity for us," the company said in a news release. "We look forward to exploring and developing [Brazil's] world-class resources."

Some analysts have been warning that high bids for pre-salt blocks pose risks for oil companies.

"High interest for the pre-salt is leading to very risky bets," said Juliana Miguez of Wood Mackenzie, an energy consulting group. She warned projects could become unprofitable if production doesn't turn out as expected, "but based on pre-salt estimates, they are feasible."

Petrobras's participation is a sign for some that the blocks hold good prospects.

"No one knows the Brazilian coast better than Petrobras," said Adriano Pires, director of Rio-based think tank Brazilian Infrastructure Center. "Investors recognize that the company...has been very careful in its investment decisions."

Vegas Shows Bookmakers Can Lose

BY CHRIS KIRKHAM

States around the country are moving to legalize sports gambling, but those moving forward should take notice of what happened this year with Las Vegas's first major professional sports team.

Enthusiastic local fans kept betting—and mostly winning—on the Vegas Golden Knights of the National Hockey League, hurting Las Vegas sportsbook operators. In a playoff game last month, a late goal by the Golden Knights reversed the fortunes of Nevada bookmakers including William Hill US. The betting operator went from recording a slight loss on

the game to a huge one, a swing of over \$100,000.

Events like that one offer a glimpse into the challenges betting firms are likely to face around the country.

A U.S. Supreme Court decision last month overturned a decades-old federal ban on sports wagers in most of the country, but a separate federal law that remains on the books restricts interstate money transfers involving bets. That means each state must essentially operate as its own betting market, increasing the risk for bookmakers who might struggle to attract wagers on teams opposing popular local favorites.

Joe Asher, chief executive of William Hill US, a subsidiary of British betting firm William Hill PLC, said the experience this season with the Golden Knights has shown how lopsided betting action and a successful local team can lead to significant volatility for companies like his. "They win; we lose," he said.

The overall economics for sports betting are relatively straightforward: Operators try to set the odds in such a way to entice equal amounts of money on each side. That can mean sweetening the deal for underdogs by widening the point spread needed for the favorite to win, or tweaking

the payouts in other ways to make bets more attractive.

As long as the money on each side of the bet is close to even, the bookmaker or casino is well positioned to earn money because of the transaction fee the operator charges.

However, popular local teams can make it tougher for casinos to find that split.

So far there has been no formal discussion of legislation or interstate compacts that would allow bookmakers to pool money across state lines.

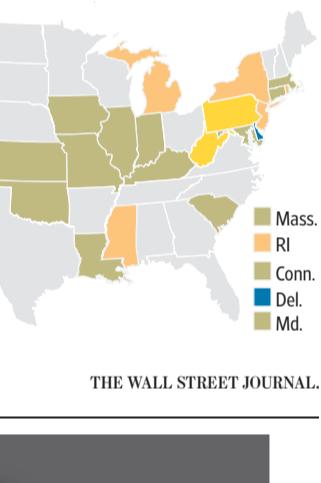
Without such a national sports-betting agreement, experts said states might struggle to expand their businesses.

Lines Drawn

Several states are in various phases of enacting sports-betting legislation, attracted to the prospect of securing some of the revenue that now flows to Nevada.

State of play for sports betting





Source: Eilers & Krejcik Gaming

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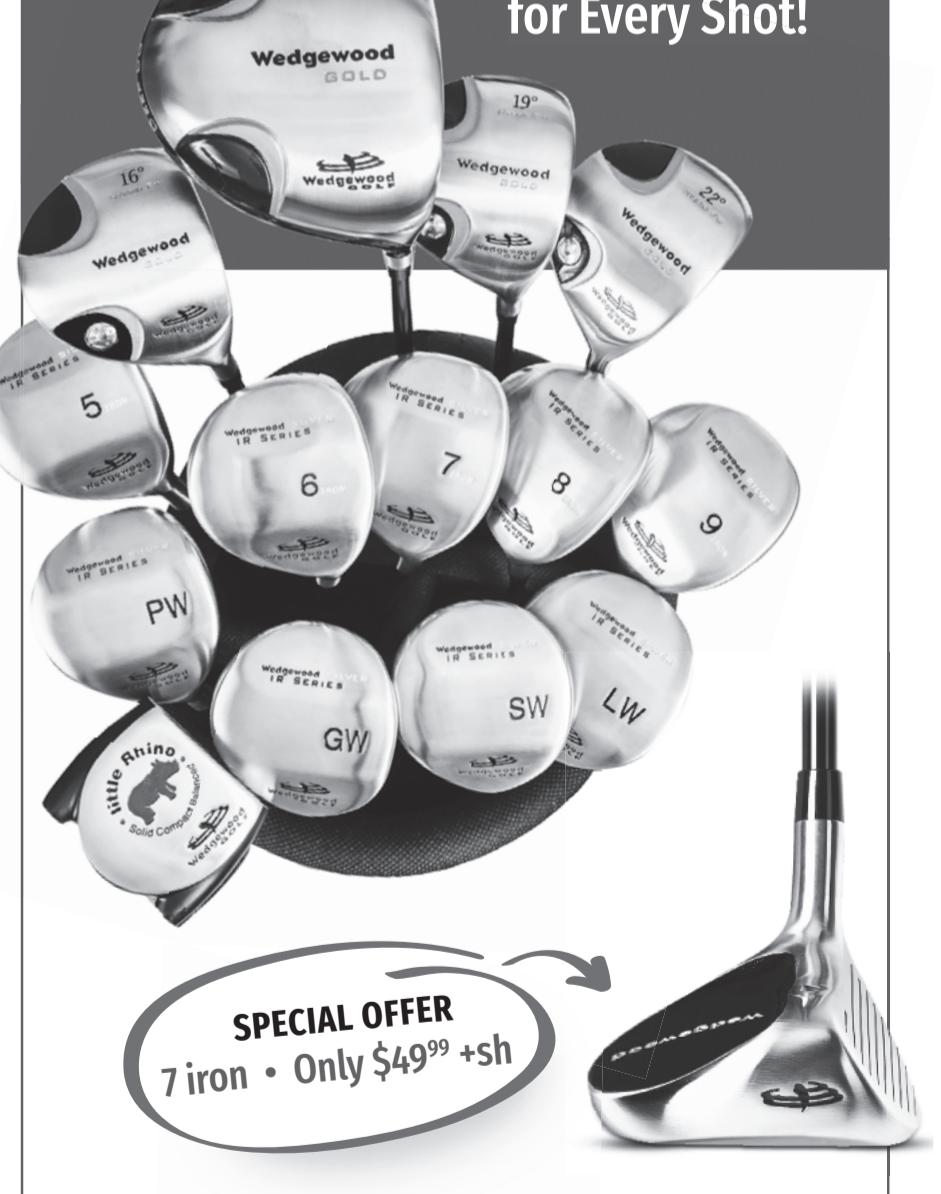
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		Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
June	3.2675	3.2970	3.2515	3.2680	0.0135	1,739		
July	3.2675	3.3155	3.2575	3.2750	0.0130	123,046		
Gold (CMX) -100 troy oz.; \$ per troy oz.								
June	1298.40	1308.20	1296.20	1298.70	1.60	5,258		
Aug	1300.90	1307.80	1299.00	1303.00	1.60	319,700		
Oct	1306.80	1313.20	1305.00	1308.90	1.50	12,000		
Dec	1313.30	1319.60	1311.30	1315.10	1.50	80,329		
Feb'19	1320.10	1324.90	1318.70	1321.40	1.40	12,403		
Dec	1354.40	1355.20	1354.20	1354.40	0.90	4,370		
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
June	1026.00	1026.00	1022.00	1021.50	-5.60	77		
Sept	1012.60	1026.00	1005.00	1009.60	-5.60	23,001		
Dec	1006.50	1016.00	1003.50	1005.20	-5.60	622		
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
July	906.50	910.50	898.50	900.30	-7.30	67,880		
Oct	910.70	914.20	903.00	904.90	-7.10	15,867		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
June	16.725	16.865	16.680	16.766	0.124	95		
July	16.710	16.935	16.670	16.815	0.121	133,659		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
July	65.08	66.07	64.81	65.95	1.22	414,114		
Aug	65.67	66.03	64.78	65.89	1.19	262,088		
Sept	64.86	65.80	64.59	65.63	1.11	218,334		
Oct	64.62	65.47	64.33	65.30	1.03	184,743		
Dec	64.19	65.09	63.95	64.95	1.00	284,470		
Dec'19	60.97	61.57	60.64	61.45	0.72	180,936		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.								
July	2.1378	2.1832	2.1291	2.1799	0.0533	115,853		
Aug	2.1433	2.1869	2.1346	2.1839	0.0516	71,231		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
July	2.0795	2.1208	2.0758	2.1148	0.0448	141,766		
Aug	2.0720	2.1097	2.0684	2.1042	0.0409	86,268		
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu								
July	2.899	2.987	2.896	2.930	0.034	288,501		
Aug	2.913	2.994	2.910	2.939	0.030	119,904		
Sept	2.898	2.974	2.898	2.924	0.029	172,556		
Oct	2.906	2.979	2.905	2.935	0.031	156,808		
Jan'19	3.138	3.196	3.137	3.169	0.033	111,414		
March	3.000	3.051	2.999	3.034	0.037	106,858		

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
		Open	High	hilo	Low	Settle	Chg	Open interest
Metal & Petroleum Futures								
Agriculture Futures								

Corn (CBT) -5,000 bu.; cents per bu.								
July	379.00	382.00	374.25	376.25	-2.00	671,048		
Dec	400.50	403.50	395.25	396.75	-3.00	572,346		
Oats (CBT) -5,000 bu.; cents per bu.								
July	243.50	244.75	235.50	239.00	-2.00	2,750		
Dec	245.50	247.50	241.50	246.25	1.50	1,527		
Soybeans (CBT) -5,000 bu.; cents per bu.								
July	99.05	99.25	97.30	97.45	-20.00	344,096		
Nov	101.75	101.75	99.30	99.45	-18.75	293,582		
Soybean Meal (CBT) -100 tons; \$ per ton.								
July	365.00	365.80	358.00	358.40	-6.60	170,006		
Dec	366.80	367.90	360.90	361.30	-5.60	117,704		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
July	30.62	30.82	30.57	30.60	-0.05	194,690		
Dec	31.35	31.56	31.31	31.36	-0.01	136,489		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
July	115.00	115.00	107.00	112.15	-34.00	6,352		
Sept	110.70	110.50	107.00	108.05	-32.00	3,621		
Wheat (CBT) -5,000 bu.; cents per bu.								
July	522.25	537.00	519.25	526.75	7.00	210,759		
Sept	540.00	553.75	537.00	544.25	6.75	131,552		
Wheat (KC) -5,000 bu.; cents per bu.								
July	541.50	555.50	540.25	544.50	4.75	127,279		
Sept	560.25	574.75	559.50	563.00	4.00	83,564		
Wheat (MPLS) -5,000 bu.; cents per bu.								
July	599.25	611.00	596.50	597.50	-7.75	23,281		
Sept	609.00	620.00	606.75	607.50	-16.17	16,173		
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.								
Aug	147.150	147.300	145.700	147.05	-6.75	24,093		
Oct	148.675	149.000	147.450	148.050	-4.00	6,949		
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
June	109.000	109.200	108.100	108.375	-0.75	14,891		
Sept	105.150	105.350	103.700	104.150	-4.25	160,174		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
June	78.750	78.900	78.125	78.400	-225	13,545		
July	79.950	79.975	79.025	79.450	-500	67,790		
Lumber (CME) -110,000 bd-ft.; \$ per 1,000 bd.								
July	596.80	602.70	593.10	599.50	6.80	4,540		
Sept	580.00	585.20	575.90	581.90</				

BANKING & FINANCE

Governments Throw Book at Bail Bonds

State overhauls of criminal-justice systems cool off once-hot business

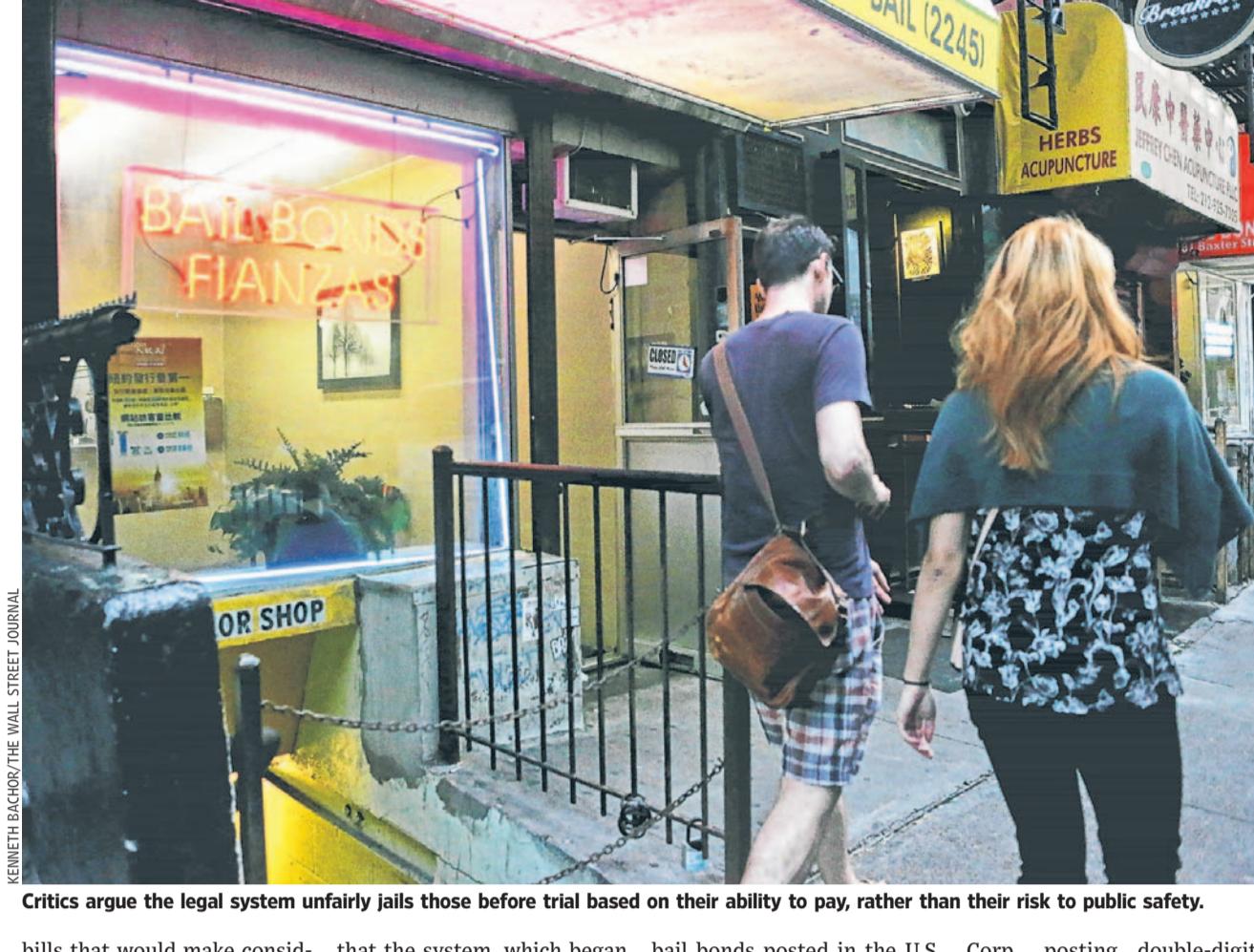
By MENGQI SUN

Bail bonds had become a hot product for insurance companies. A push by state governments in 2017 to overhaul their criminal-justice systems and do away with cash bail changed that.

Traditionally, after bail is set, the accused pays a percentage of the full bond to a bail-bond agent. In return, the agent arranges to have the accused released on a bond. A cut of that fee, however, goes to the agent's insurer, which provides the actual bond and is the ultimate guarantor if the defendant doesn't show up for trial.

Overall, the net premiums of bail bonds written nationwide declined for the first time last year following five consecutive yearly increases. In 2017, net premiums written dropped 3.8% to \$119.5 million, as gross premiums written fell 3.3% to \$1.3 billion, according to insurance-ratings firm A.M. Best Co.

A majority of states in recent years began implementing extensive changes to their bail systems as defendants who can't afford to pay for their bail crowd U.S. jails. New government rules typically eliminate cash bail, partially or completely, in favor of objective assessment systems. Congress also is working on two



Critics argue the legal system unfairly jails those before trial based on their ability to pay, rather than their risk to public safety.

bills that would make considerable changes to the cash-bail system.

"I anticipate there will be continued decreases going forward, if those reforms, the legislations go forward and get passed in these states," A.M. Best senior industry analyst David Blades said.

Bail critics have long argued

that the system, which began in the late 1800s, unfairly jails those before trial based on their ability to pay, rather than their risk to public safety. The continuing push to overhaul the bail system is just starting to have an impact on the bail-bond insurance business.

The A.M. Best report shows

that the total face amount of

bail bonds posted in the U.S. dropped to \$15.9 billion last year, a 4.4% decline from 2016 and a reversal in the trend from the previous three years.

Even the top bail-bond insurers couldn't escape the industry decline. Net premiums for six of the top 10 writers declined in 2017, with only one company, Palmetto Surety

Corp., posting double-digit growth, at 40.4%.

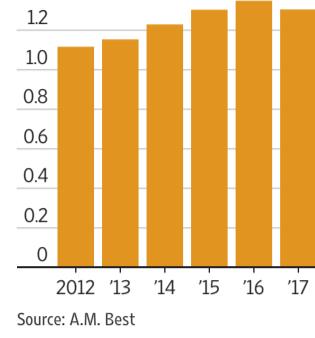
The surety companies that write bail bonds in single states or small regions are particularly vulnerable, according to A.M. Best.

New Jersey was one of the states that essentially eliminated cash bail last year. The state's new bail system en-

Reversal

U.S. bail-bond gross premiums written

\$1.4 billion



Source: A.M. Best

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courages judges to use a money deposit as a last resort, replacing it with an assessment system to measure a defendant's flight risk.

Large states such as New York, California and Texas are considering similar changes.

But the impact of statewide changes is hard to measure. Counties in New Jersey scrambled to meet a deadline in January last year as they hired new staff and purchased new technologies to comply with the requirements.

And the decline in premiums might not be as drastic in the near future.

"I definitely expect to see some continued momentum in the same directions as 2017, but it still remains to be seen because there is a lot of push-back," said Mr. Blades. "We'll see how strong different constituents on the bail-bond industry side, how strong they are in terms of pushing back."

Review: Systemic Faults Confined to Wells

By RYAN TRACY

WASHINGTON—A banking regulator's review has concluded there weren't systemic issues at other banks that were similar to the Wells Fargo & Co. phony-account scandal, though it found some instances of banks opening accounts without proof of customers' consent.

The review by the Office of the Comptroller of the Currency, undertaken to determine if similar problems ran deep at other banks, lasted months and looked at more than 40 large banks with a significant retail footprint. The review hasn't been released publicly. But an OCC spokesman said it "identified some weaknesses in policies, procedures, and controls and in the risk governance framework addressing sales practices" at some banks.

The OCC disclosure offered general details about the review and didn't name other banks or quantify how many potentially phony accounts it discovered at other firms.

Wells Fargo has said it opened as many as 3.5 million "potentially unauthorized" customer accounts, a number

significantly higher than the 2.1 million figure the bank made public when the OCC and other regulators first sanctioned the firm in September 2016. The bank agreed to a \$185 million settlement

with regulators.

A Wells Fargo spokeswoman declined to comment.

The OCC spokesman said that where the agency did find questionable accounts at other banks, the causes included

short-term sales promotions without adequate risk controls, deficient account opening and closing procedures, or isolated instances of employee misconduct with no clear connection to sales goals, incen-

tives, or quota programs.

Most banks have taken timely actions to address the regulator's perceived weaknesses, the spokesman added, saying "systems and controls in these banks are now better integrated and more apt to identify inappropriate sales activities in a timely manner."

At Wells Fargo, it took years for both executives and regulators to recognize the scale of the phony-account scandal.

Among the challenges: "A lot of companies have more than one place where both the external and internal complaints come in," which can make it hard to identify trends, said Julie Williams, a former OCC official who has been advising banks on how to respond to the regulatory review.

At a big bank this can include customer service phone lines, branches, whistleblower hotlines and email.

Some banks are working with new technology designed to record and analyze what customers and employees are telling the firm, said Ms. Williams, a managing director at International Business Machines Corp. unit Promontory Financial Group.

SNB Hit By Italy, Forex Swings

By BRIAN BLACKSTONE

The Swiss central bank got the bill for Italy's topsy-turvy politics, and it wasn't pretty.

The Swiss National Bank's foreign-currency reserves tumbled by 16.3 billion francs (\$16.5 billion) in May to 740.9 billion francs, the central bank said Thursday. The SNB built up this huge stockpile of foreign assets—mostly bonds but also stocks—through years of currency intervention to weaken the franc.

That leaves its balance sheet highly sensitive to the franc's exchange rate. When it weakens, the value of the SNB's foreign reserves rises in franc-denominated terms.

That occurred last year, when the SNB earned 54 billion francs in profit, a hefty sum for an economy of its size. But when the franc rises, especially against the euro, then the opposite occurs, hence last month's plunge in the value of the SNB's reserves. Nearly 40% of the bank's foreign reserves are in euro assets.

Thus, a back-of-the-envelope calculation would put the SNB's euro-based reserves at around 300 billion francs at the beginning of May.

With the euro weakening almost 4% against the franc last month amid Italy's political turbulence, this accounts for a big chunk of that loss of 16.3 billion francs last month.

Because Switzerland isn't part of the euro, "people feel like they're protected from chaos across the border, but there's clearly a direct effect and you can see that in the [SNB's] balance sheet," said Peter Rosenstreich, head of market strategy at Swissquote Bank.

There is no reason for the SNB to worry. Because of its big profits last year and the year before, it has built up internal buffers that guard against swings in foreign-exchange rates.

So even if the SNB loses money this year, it should still be able to distribute between 1 billion and 2 billion francs to the government under its existing profit-sharing agreement.

And just as the SNB's profits are on paper, meaning it doesn't actually cash them in, so are its losses. The SNB is unlikely to sell off chunks of its foreign reserves soon for fear of strengthening the franc in the process.

Icahn Pressure Prods Rise In AmTrust Purchase Price

By ALLISON PRANG
AND MICHAEL RAPORT

Carl Icahn pushed to get more money from a group of New York families looking to take their insurance company private. He now is poised to get just that.

On Thursday, a group of investors seeking to take AmTrust Financial Services Inc. private agreed to sweeten their offer to \$2.95 billion.

The raised offer has apparently satisfied the objections of the billionaire activist investor, who had been standing in the way of deal.

In the new deal, the Karpfunkel and Zyskind families, along with private-equity firm Stone Point Capital LLC, will boost their offer for the 45% of the company they don't already control to \$14.75 a share from the previous offer of \$13.50 a share.

Mr. Icahn, who owns a 9.4% stake in AmTrust, has agreed to support the revised deal.

He had opposed the previous terms, saying they undervalued the company and that AmTrust had been unfair to minority shareholders in the way it set the record date for shareholders to vote on the

Schwab Retreats From ETF

By ASJYLYN LODER

Charles Schwab Corp. is moving money around in junk debt.

In the past week, more than \$1 billion has been yanked from the iShares 0-5 Year High Yield Corporate Bond exchange-traded fund, according to FactSet.

The record outflows cut the fund's assets by almost 27% to \$2.9 billion, the lowest in nearly a year.

The fund's biggest listed owner is discount brokerage Schwab, with more than 38% of the shares worth \$1.4 billion as of March 31, according to FactSet. No other single shareholder owns more than \$200 million, according to FactSet.

Schwab uses the iShares fund in the prepackaged ETF portfolios sold through its robo-advisory division, Schwab Intelligent Portfolios, according to its website. Such centrally managed portfolios have become increasingly influential in moving money around the \$3.5 trillion ETF industry.

Schwab liquidated its shares as part of a review of the ETFs used in its portfolios, a company spokesman said. Schwab

Investors Exit

Assets in the iShares 0-5 Year High Yield Corporate Bond ETF plunged this week.



Source: FactSet

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decided to swap out certain ETFs for funds that have lower costs or better represent their asset class. In this case, it will be replaced with the iShares Broad USD High Yield Corporate Bond ETF, he said.

Prefab portfolios outsource

investment decisions to an independent strategist or a bank's investment committee, which pick ETFs to match their market views. Investors then pick a portfolio that meets their risk tolerance and

savings goals, typically leaving the behind-the-scenes trading and investment decisions to someone else. There are hundreds of ETF strategies sold by brokerage firms, automated robo advisers, independent strategists and ETF issuers themselves.

There is no industry estimate of exactly how much money is in ETF portfolios. Morningstar counted \$123 billion in ETF portfolios at the end of 2017, but several major players aren't included. One of the biggest is Bank of America Merrill Lynch, whose ETF portfolios have grown to nearly \$70 billion in assets, according to people familiar with their business.

The growth of the ETF industry means a single investment decision can ripple across hundreds of client accounts and add up to billions of dollars moving in or out of an ETF, said Jon Maier, chief investment officer of Global X Management Co., which has more than \$10 billion in its ETFs.

"For issuers, while it may feel great when they receive an allocation, it typically doesn't feel so great when a manager reduces or moves out of a position," Mr. Maier said.

And just as the SNB's profits are on paper, meaning it doesn't actually cash them in, so are its losses. The SNB is unlikely to sell off chunks of its foreign reserves soon for fear of strengthening the franc in the process.

So even if the SNB loses money this year, it should still be able to distribute between 1 billion and 2 billion francs to the government under its existing profit-sharing agreement.

And just as the SNB's profits are on paper, meaning it doesn't actually cash them in, so are its losses. The SNB is unlikely to sell off chunks of its foreign reserves soon for fear of strengthening the franc in the process.

MARKETS

Dow Pulled Up by Energy Stocks

Losses among tech shares keep a lid on broader gains, with Nasdaq falling back

BY AKANE OTANI
AND GEORGI KANTCHEV

The Dow Jones Industrial Average rose to its highest close in nearly three months, as a jump in the shares of oil-and-gas companies helped offset declines across the technology sector. **THURSDAY'S MARKETS** Stocks have attempted to break higher in recent days as investors have bet that threats of tighter trade policies won't be a significant drag on global growth.

The news that the U.S. and China reached a deal that would allow Chinese telecommunications company ZTE to do business again was a bright spot for investors hoping trade tensions would cool, said Art Hogan, chief market strategist at Wunderlich Securities.

"I think if we can get some good news on trade, we will be able to start focusing on fundamentals," Mr. Hogan said. "I think that's going to shift us back into more of a positive and less of a volatile market."

The Dow industrials rose

Fueled by Oil

Shares of Exxon Mobil rallied Thursday as fears of a supply disruption sent oil prices higher.



95.02 points, or 0.4%, to 25241.41. The S&P 500 fell 1.98 points, or less than 0.1%, to 2770.37, and the Nasdaq Composite lost 54.17 points, or 0.7%, to 7635.07, pressured by a slide in technology shares.

Energy shares led gains in the stock market Thursday, supported by a rally in crude-oil prices. Dow industrials component Chevron jumped \$3.58, or 2.9%, to \$126.96, while Exxon Mobil added 82 cents, or 1%, to 82.88. U.S. crude for July delivery rose 1.9% to \$65.95 a barrel as investors weighed looming sup-

ply outages in Iran.

But losses among tech shares kept a lid on broader stock gains, with the tech-heavy Nasdaq sliding after notching three consecutive records.

The S&P 500 technology sector fell 1.1%, posting the biggest decline of the broad index's 11 sectors. Facebook dropped 3.16, or 1.7%, to 188.18, while Alphabet shed 12.53, or 1.1%, to 1134.42.

"While we still like a lot of these companies, we're still worried about growing scrutiny on the regulatory level that could lead some head-

winds in the future," said Adam Phillips, director of portfolio strategy at EP Wealth Advisors. He added that he had recently moved to a neutral position from an overweight one on technology stocks.

Elsewhere, the Stoxx Europe 600 edged down 0.2% after the European Central Bank's chief economist indicated Wednesday that the central bank could decide as soon as next week to wind down its €30 billion (\$35.3 billion) monthly bond-buying program.

Peter Praet said the ECB was increasingly confident that inflation would soon rise toward the bank's target of just below 2%, a target it has missed for years.

The comments surprised investors, many of whom hadn't expected a decision on the ECB stimulus until July, spurring a rally in the euro and a rise in government-bond yields.

"This was a clearly positive development for the euro: the single currency was able to shake off the last remnants of the Italy mini-crisis," currency strategists at Commerzbank wrote in a note to clients.

In Asia early Friday, Hong Kong's Hang Seng Index was down 0.9% and Japan's Nikkei Stock Average was flat.

—Danielle Chemtob contributed to this article.

Treasury Auctions

The Treasury Department will auction \$158 billion in securities next week, comprising \$74 billion in new debt and \$84 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 Sept. 14, 2017, maturing Sept. 13, 2018. Cusip number: 912796NV7.

Also, \$42 billion in 26-week bills, dated June 14, 2018, maturing Dec. 13, 2018. Cusip number: 912796QN2.

Also, \$32 billion in three-year notes, dated June 15, 2018, maturing June 15, 2021. Cusip number: 9128284T4.

Also, \$22 billion in nine-year, 11-month 2.875% notes, a reopening of an issue first sold on May 15, 2018, maturing May 15, 2028. Cusip number: 9128284N7.

Noncompetitive tenders for the 26-week bills and three-year notes must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m. For the 13-week bills and nine-year, 11-month notes, the deadlines are noon and 1 p.m., respectively.

◆ **Tuesday:** \$14 billion in 29-year, 11-month 3.125% bonds, a reopening of an issue first sold on May 15, 2018, maturing May 15, 2048. Cusip: 912810SC3.

Noncompetitive tenders must be received by noon Tuesday; competitive tenders, by 1 p.m.

Ma's Ant Shows Again It's A Giant

BY STELLA YIFAN XIE
AND JULIE STEINBERG

HONG KONG—Jack Ma's financial-technology giant has solidified its position as one of the world's most valuable private companies.

China's Ant Small & Micro Financial Services Group Co. on Friday said it raised around \$14 billion from domestic and global investors in one of the largest private-capital fund raises on record.

The sale drew high-profile investors who expect Ant to go public in the next year or two. The round valued Ant at about \$150 billion, according to people familiar with the matter.

Foreign investors included Singapore and Malaysia's sovereign wealth funds, as well as private-equity funds **Warburg Pincus**, **Carlyle Group LP**, **Silver Lake**, **General Atlantic** and **Primavera Capital**. Mutual fund giant **T. Rowe Price** and the Canada Pension Plan Investment Board also participated in what Ant said was a U.S. dollar-denominated tranche.

Existing Chinese investors in Ant provided funds for a yuan-denominated tranche, the company said. Ant raised \$11 billion in the U.S. dollar portion of its fundraising and \$3 billion from domestic investors, and both tranches were oversubscribed, according to people familiar with the matter.

Ant, which was carved out from **Alibaba Group Holding Ltd.** in 2011, owns and operates Alipay, China's largest third-party online and mobile payments network, and has other financial businesses.

China Clears Technology Listings

BY CHAO DENG

BEIJING—China formalized a plan for its big technology companies to trade on the nation's stock market, opening its doors for the imminent listing of smartphone maker **Xiaomi Corp.** and the homecoming of **Alibaba Group Holding Ltd.**

The securities regulator published guidelines Wednesday for a class of yuan-denominated securities called depository receipts. Companies can now apply to list in China under the program.

It also provides a mechanism for overseas-listed Chinese companies such as Alibaba, **Tencent Holdings Ltd.** and **JD.com Inc.** to trade on the mainland.

Xiaomi—which plans a \$10 billion initial public offering, according to people familiar with the matter, in July on Hong Kong's stock exchange—will likely be the first company to list in mainland China using this mechanism, according to market participants.

A portion of Xiaomi's IPO fundraising will be done in China, according to people familiar with the matter. The company is expected to fetch a market valuation of about \$70 billion when it goes public. The Wall Street Journal previously reported.

—Julie Steinberg contributed to this article.



Turkey was one of the few emerging markets to see its stocks and currency gain on Thursday. The Grand Bazaar in Istanbul.

CHRIS MCGRATH/GETTY IMAGES

Brazil Leads a Developing Rout

BY IRA IOSEBASHVILI

A sharp drop in Brazilian stocks and its currency stoked a decline in emerging-market assets, as concerns over trade tensions and a rising dollar reverberated around the world.

Brazil's Bovespa index fell 3% on Thursday to its lowest level of the year, and the dollar rose 1.4% against the Brazilian real to 3.9076 reais, its highest value since early 2016. A host of other emerging markets, including South Africa, Mexico and Russia also notched big drops in their stocks or currencies.

A rallying dollar and rising U.S. bond yields have ramped up pressures in emerging markets this year, magnifying investors' concerns about some countries' economic shortcomings and prompting them to punish the assets of those deemed vulnerable.

Dollar strength is a danger for some countries because it

weakens their currencies and makes it more difficult to service dollar-denominated debt, while higher U.S. rates dim the allure of foreign assets.

Although past blowups in developing countries have largely been contained in recent years, Thursday's broad-based selloff shows that investors have become more wary of emerging markets as a whole, following sharp selloffs in Argentina and Turkey last month, analysts said.

Negative sentiment is "spreading to places that are not considered to be as vulnerable," said Ilya Gofshteyn, a strategist with Standard Chartered Bank. "It's looking pretty ugly across the board."

In Brazil's case, investors have become worried about recent labor strikes, shaky economic growth and a presidential election later this year, analysts said.

Exacerbating those worries are Brazil's interest rates,

Downhill

How many U.S. dollars one Turkish lira buys



THE WALL STREET JOURNAL.

which stand near historic lows after a long series of cuts by the country's central bank. While low rates help boost growth, they also make it easier for investors to bet against a country's assets.

The Turkish lira was one of

the few emerging-market currencies to strengthen Thursday, after Turkey's central bank unexpectedly raised interest rates by 1.25 percentage points.

Late Thursday in New York, the dollar was down 1.6% against the Turkish currency to 4.4844 lira.

The Borsa Istanbul 100, Turkey's main stock exchange, rose 2%.

Rising consumer prices were a key factor behind the move, the central bank said. It also pledged to retain a hawkish view on monetary policy.

Turkey's currency has lost more than 20% against the dollar this year, weighed down by worries over Turkey's external debt and the independence of its central bank. The country's president, Recep Tayyip Erdogan, has in the past spoken out against tighter monetary policy.

—Daniel Kruger contributed to this article.

Altaba Investors Confront Tax Issue in Tender Offer

BY BEN EISEN

Altaba Inc., the company that holds the unsold remnants of Yahoo, has a proposition for its shareholders.

The company presented a tender offer Thursday to buy nearly a quarter of its shares at a 3.8% premium to where they closed Wednesday. It is likely to be welcomed by at least some investors, particularly those who have been around since the final days of Yahoo.

When Yahoo completed its deal to sell most of its web assets to Verizon Communications Inc. last year, most of what remained were stakes in

closed Thursday at \$79.75, a discount of about 26% to the company's per-share adjusted net asset value, according to the firm's website.

That set in motion an effort to narrow or eliminate the gap, and the tender offer announced Thursday marks an incremental step in that direction.

By tendering its stock, Altaba is offering to take out shareholders at a premium to where the stock is trading. That won't solve the tax issues, but some investors are still likely to want to cash out, especially after Altaba shares have climbed 58% over the past year alongside a rally in

Altaba's stock.

"They are returning capital to the shareholders for the ones that want to participate," said Ali Mogharabi, an equity analyst at Morningstar.

It is important to note that before Yahoo sold itself to Verizon, these stakes represented pretty much all of the value of the company. Investors had to wait years to unlock that value as the company decided what to do. The fact that Altaba is now doing so well may be enough to lure some investors to tender.

The stock, which typically follows the price of Alibaba, reacted mildly to the tender offer.

Altaba shares fell 0.7% amid a broader tech-stock decline Thursday, but they were down much less than the 2.3% drop in Alibaba's American depositary receipts. The shares are also down partly because Altaba would sell some of its Alibaba holdings to finance the deal. Some shareholders are likely to want to wait for the discount to close further. Even as Altaba's stock has risen, the discount hasn't really closed much because the rally in Alibaba shares has also driven up the net asset value.

There is no answer to the tax question yet, but various solutions have been discussed.

Playing Catch-Up

Altaba's share price hasn't been able to reach its net asset value.



Sources: FactSet (share price); Altaba (net asset value)

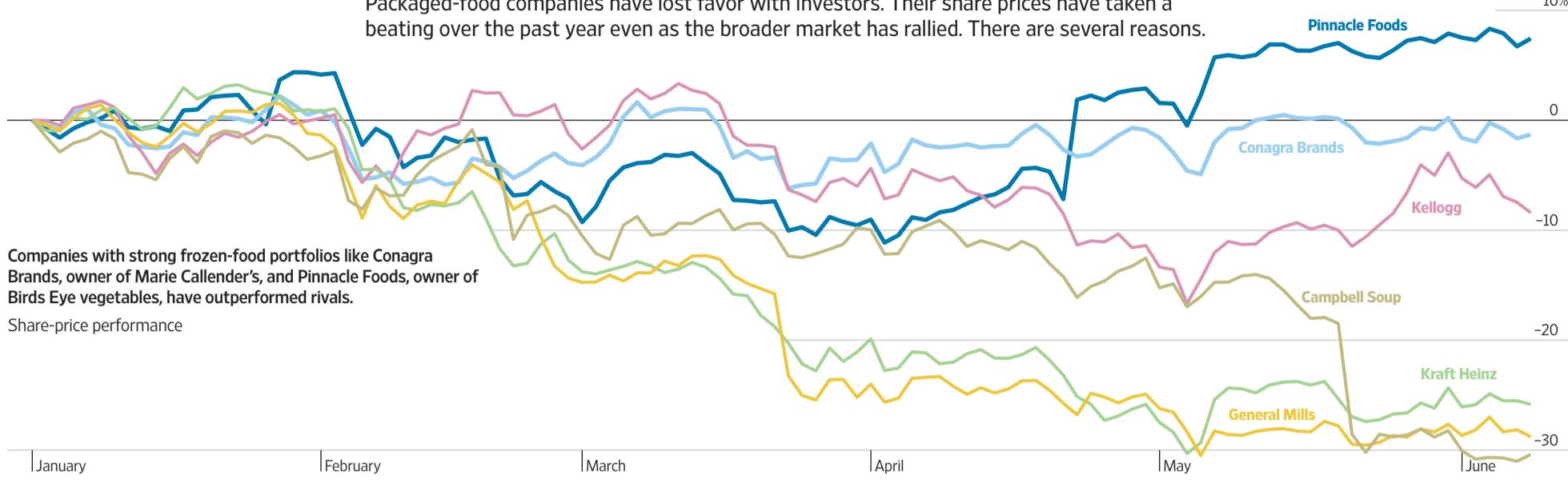
HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

What's Working in the Supermarket?

Packaged-food companies have lost favor with investors. Their share prices have taken a beating over the past year even as the broader market has rallied. There are several reasons.

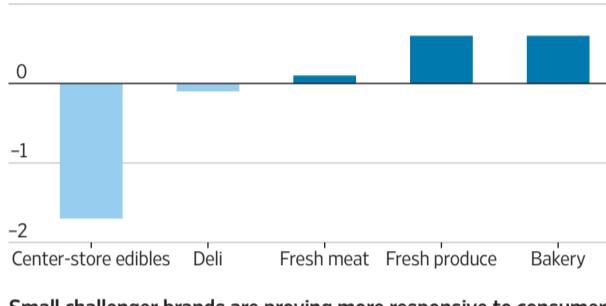


Companies with strong frozen-food portfolios like Conagra Brands, owner of Marie Callender's, and Pinnacle Foods, owner of Birds Eye vegetables, have outperformed rivals.

Share-price performance

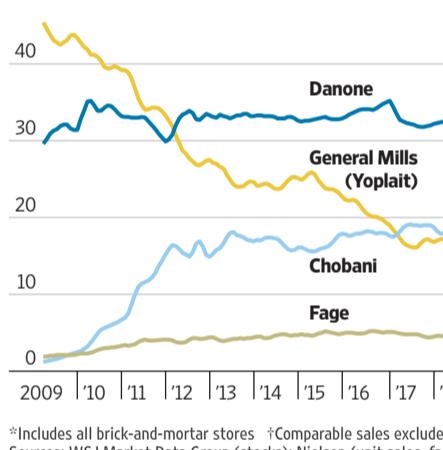
Customers are shying away from packaged, processed foods and buying more fresh vegetables and meat.

2017 unit sales growth by category^a



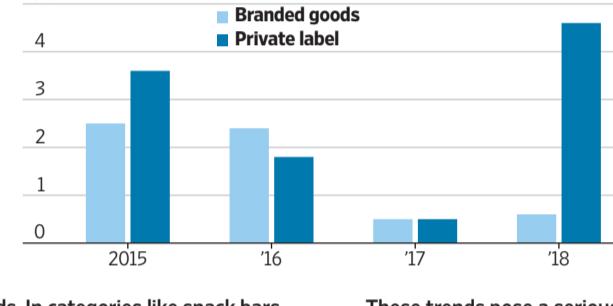
Small challenger brands are proving more responsive to consumer trends. In categories like snack bars and yogurt, the shift in market share to alternatives with less sugar and more protein has been dramatic.

Yogurt market share by brand



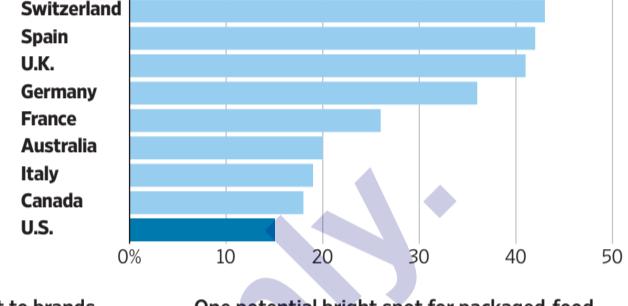
Big retailers including Kroger and Walmart have responded by investing more in their own private-label brands, driving sales.

Sales growth through March for fast-moving consumer goods^b

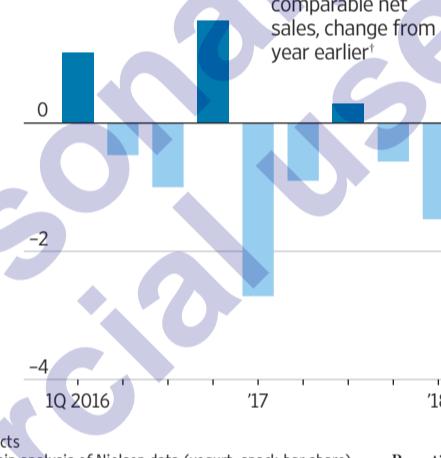


Private-label penetration is more than twice as high in some European markets, giving analysts reason to believe the U.S. trend has room to grow.

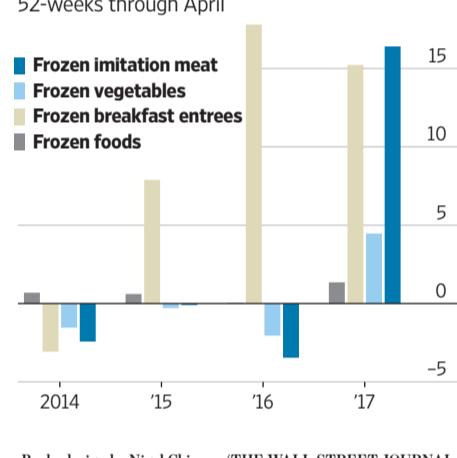
Private-label share of fast-moving consumer goods in 2016^c



These trends pose a serious threat to brands like Kraft Heinz, which has been criticized by analysts for overemphasizing cost cuts, and underinvesting in product innovation.



One potential bright spot for packaged-food companies is the frozen aisle. Health-oriented frozen goods like vegetable-based meat substitutes are taking off.



^aIncludes all brick-and-mortar stores ^bComparable sales exclude M&A ^cFast-moving consumer goods include packaged foods and household products

Sources: WSJ Market Data Group (stocks); Nielsen (unit sales, fast-moving consumer goods, frozen foods); the company (Kraft Heinz sales); Bernstein analysis of Nielsen data (yogurt, snack-bar share)

Reporting by Aaron Back, design by Nigel Chiwaya/THE WALL STREET JOURNAL.

Can Netflix Model Work For Clothes?

Wall Street has long loved subscription businesses. From **Costco** to **Netflix** to **Dollar Shave Club**, the successful ones lock in customers who provide a steady stream of revenue.

The latest subscription love interest is **Stitch Fix**, the fashion service that had its initial public offering in November. Investors were skeptical, partly because it came after **Blue Apron**, a meal-kit subscription service that has largely tanked, and partly because it wasn't clear if a subscription model could work for clothing.

Stitch Fix has surprised investors, though, showing consistent growth. On Thursday it announced third-quarter earnings of 9 cents a share, beating estimates of 3 cents, and revenue of \$316.7 million, topping estimates of \$307 million. That is 29% sales growth, year over year.

These results, coupled with the announcement that it is launching **Stitch Fix Kids**, sent the stock sharply higher in after-hours trading.

Stitch Fix has leveraged social networks to grow really quickly, says Sucharita Kodali, an analyst at Forrester Research, but the question is whether they will be able to retain customers. According to Forrester, 70% of subscription customers churn within the first six months. That has been the downfall of **Blue Apron**, **Birchbox**, and others. Trunk Club, perhaps **Stitch Fix**'s nearest competitor, was acquired by **Nordstrom** in 2014 for \$350 million, but Nordstrom wrote down \$197 million of its value in 2016.

For now, **Stitch Fix** looks to be among subscription-model successes. But its real test will come as customers decide whether to stick around. —Elizabeth Winkler

Steel Tariffs May Mess With Texas

Once upon a time, the U.S. was steel country. Now, it is oil country again.

U.S. crude output hit nearly 10.5 million barrels a day in May—a record—and it could pass Russia to become the world's largest producer as soon as late 2018.

It could, that is, if American oil producers can get their product to market. President Donald Trump's 25% tariff on imported steel could make that significantly harder, driving up the cost of drilling for shale heavyweights like **EOG Resources** and **Pioneer Natural Resources**.

Tariffs also could make it more expensive to solve pipeline bottlenecks in the nation's shale heartland—prolonging an oil glut that has pushed the price of crude stored at Midland, Texas, to about \$20 a barrel below the global Brent benchmark in recent weeks.

Oil drilling is inherently steel-intensive. Steel typically contributes up to 10% to 20% of the cost of

Bottled Up

Crude-oil price benchmarks



Source: Thomson Reuters

additional annual construction costs of about \$550 million if the top line 25% tariff rate stays. Pipeline developers like **Kinder Morgan** have already requested tariff exemptions, but widespread exclusions, if granted, could cause additional problems: Steel products related to line pipe alone account for about 5% to 10% of total U.S. steel product imports by value. Other steel-intensive sectors will demand exemptions as well, further involving the government in picking winners.

One of the defining characteristics of the Chinese model of state capitalism—which the Trump administration loves to hate—is a predilection for redistributing profits along the value chain from strong industries to shore up weak ones.

To the U.S. oil industry, arguably the sector best poised to reduce America's trade deficit, that must be starting to sound awfully familiar. —Nathaniel Taplin

OVERHEARD

A new executive at a troubled company looks familiar.

Tissue-graft developer **MiMedx Group** announced Thursday that it will restate financial statements dating back to 2012 following an investigation by its audit committee into the company's sales and distribution practices. Shares fell sharply.

MiMedx also announced that its CFO would leave. It hired **Edward Borkowski** as interim finance chief.

His experience includes a stint as CFO of Canadian drug maker **Concordia International**.

He certainly brings relevant experience. Mr. Borkowski was appointed CFO at Concordia in August 2016, as the company sharply lowered its sales and profit outlook and suspended its dividend.

MiMedx shareholders will have to hope the similarities end there: Concordia shares lost about 98% of their value since his appointment.

China's Bling Dynasty Has Returned With a Vengeance

There has rarely been a better time to be a luxury brand—as long as you are a cool one.

After the malaise and soul-searching of 2016, when sales of expensive handbags and watches fell for the first time since the 2009 financial crisis, consumers are spending again.

Last year, sales across the industry rebounded 6% in constant-currency terms. This year growth will be between 6% and 8%, according to a closely watched industry report by consultancy Bain published Thursday.

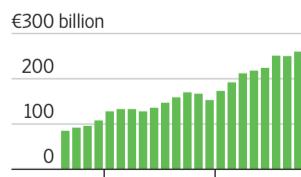
Chinese consumers are in the driver's seat. Bain expects sales in mainland China to grow by an

astonishing 20% to 22% in 2018. Given that the Chinese already account for roughly one-third of all luxury spending, this gives them an overwhelming share of the industry's growth. Sales are also buoyant following tax cuts and record stock prices in the U.S.—the industry's second-most important market—but nothing like on the Chinese scale.

This overdependence on China comes with a risk: a repeat of 2013-14, when Chinese authorities clamped down on corrupt gift-giving, or of 2016, when Chinese consumer confidence and spending power were hit by the yuan devaluation. People buy luxury goods when they feel wealthy, a feeling that

Boom's Back

Sales of luxury goods



Note: €100 billion = \$118 billion; sales for 2018 are shown at midpoint of Bain's forecast

Source: Bain & Co.

THE WALL STREET JOURNAL.

has much to do with high asset prices. Any move to damp China's runaway urban property markets could hit the luxury industry very hard.

Luxury brands have historically tried to present

themselves as timeless. But the extraordinary success of a trendily revamped Gucci over the past two years—and lackluster sales for brands like **Tod's** and **Ferragamo**—has shown that luxury and fashion are now more intertwined.

Consumers are younger, choicer and more engaged with the stories brands tell than they used to be, says Claudia D'Arpizio, author of the Bain report. Luxury now is less about status and more about identity, including in China.

Fortunately for investors, the core brands of the big listed groups, **LVMH Moët Hennessy Louis Vuitton** and **Kering**, which owns Gucci, both remain in vogue. The

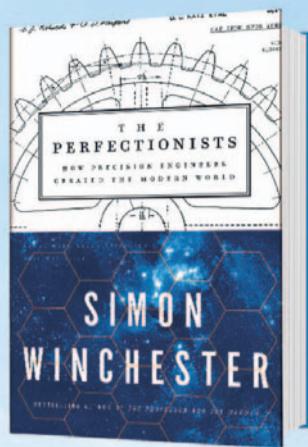
problem for investors is that these companies have become fashionable on the stock market, too. Kering stock is up 27% this year alone, its earnings multiple at its highest since 2001.

This bullishness is understandable: Sales are very strong, and these companies have the resources and social-media savvy to keep with the fashion cycle.

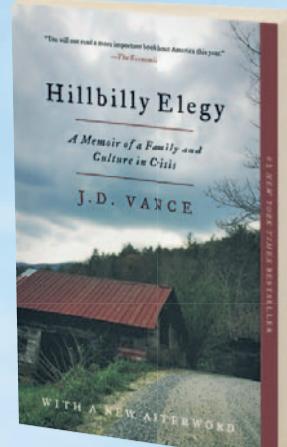
Investors should probably wait, though, until the world is a bit less enthusiastic about China before buying LVMH or Kering.

Judging by history, it may not be too long before the next wobble offers a cheaper way in.

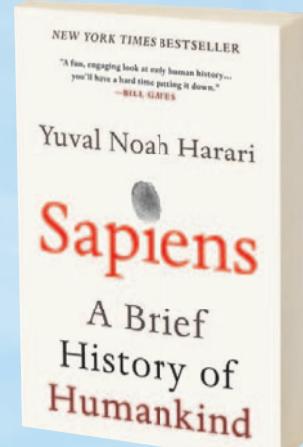
—Stephen Wilmot



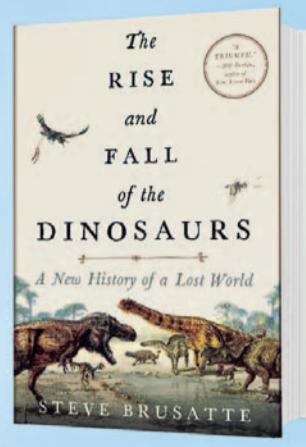
"A rollicking work of pop science that entertains and informs."
—Publishers Weekly
(starred review)



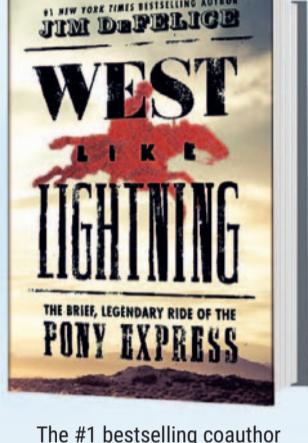
#1 Bestseller, Now in Paperback
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—The Wall Street Journal



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—Bill Gates

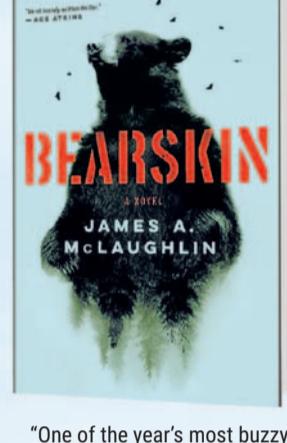


"The ultimate dinosaur biography."
—Scientific American

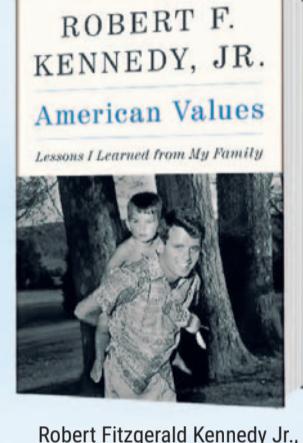


The #1 bestselling coauthor of *American Sniper* brings the legendary Pony Express to life. "West Like Lightning" is sure to stand amongst the great popular histories of the west."

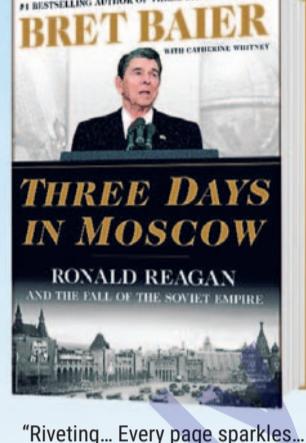
—Tombstone Epitaph



"One of the year's most buzzed, fascinating thrillers. ... A suspenseful, emotionally resonant journey into one man's dark past."
—Entertainment Weekly



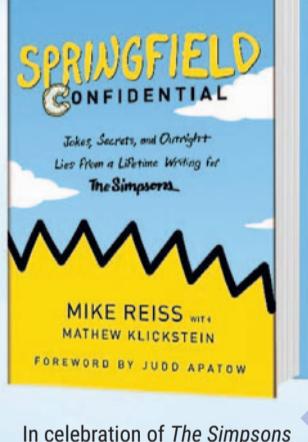
Robert Fitzgerald Kennedy Jr., shares memories of his childhood and the lessons that have shaped his enduring values.



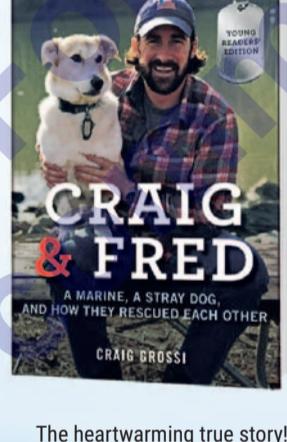
"Riveting... Every page sparkles... One of the best and most essential books ever written about Reagan."
—Douglas Brinkley, editor of *The Reagan Diaries*

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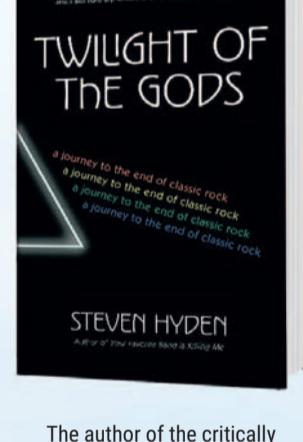
HarperCollins Publishers



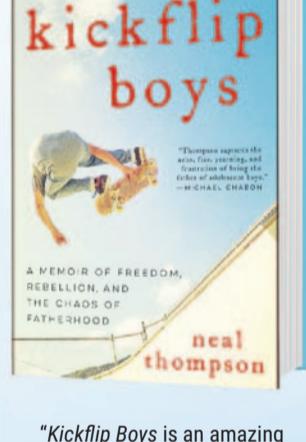
In celebration of *The Simpsons* 30th anniversary, the show's longest-serving writer and producer offers a humorous look at the writing and making of the legendary series.



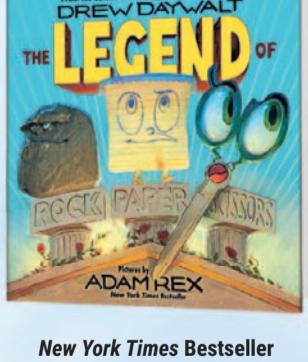
The heartwarming true story! When a Marine stationed in Afghanistan meets one very special dog, he finds himself on a mission to bring his new friend home.



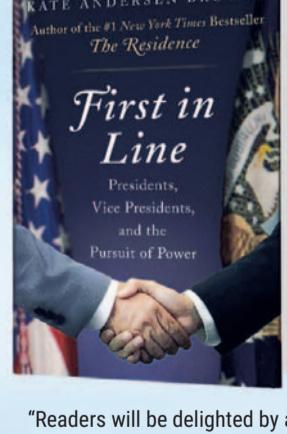
The author of the critically acclaimed *Your Favorite Band is Killing Me* offers an eye-opening exploration of the state of classic rock, its past and future, the impact it has had, and what its loss would mean.



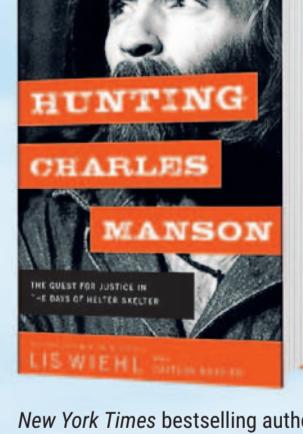
"*Kickflip Boys* is an amazing chronicle of parenthood, but what makes it so striking, so beautiful, is how well Neal Thompson not only understands the struggles of parenting, but also the strangeness of adolescence. It's empathetic, and funny, and Neal Thompson nails it."
—Kevin Wilson



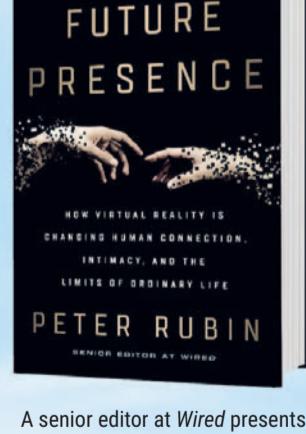
New York Times Bestseller From creators Drew Daywalt (*The Day the Crayons Quit*) and Adam Rex comes a laugh-out-loud look at the classic childhood game.



"Readers will be delighted by a trove of stories, secrets, and life lessons."—Dana Perino, former White House press secretary and author of *And the Good News Is...*

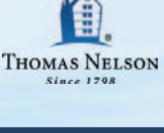
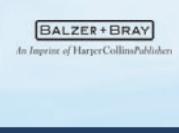
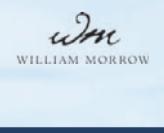


New York Times bestselling author Lis Wiehl's heart-pounding story of the investigation and prosecution that put Charles Manson away.



A senior editor at *Wired* presents a captivating, candid glimpse into how virtual reality is changing human connection.

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—Grover Cleveland

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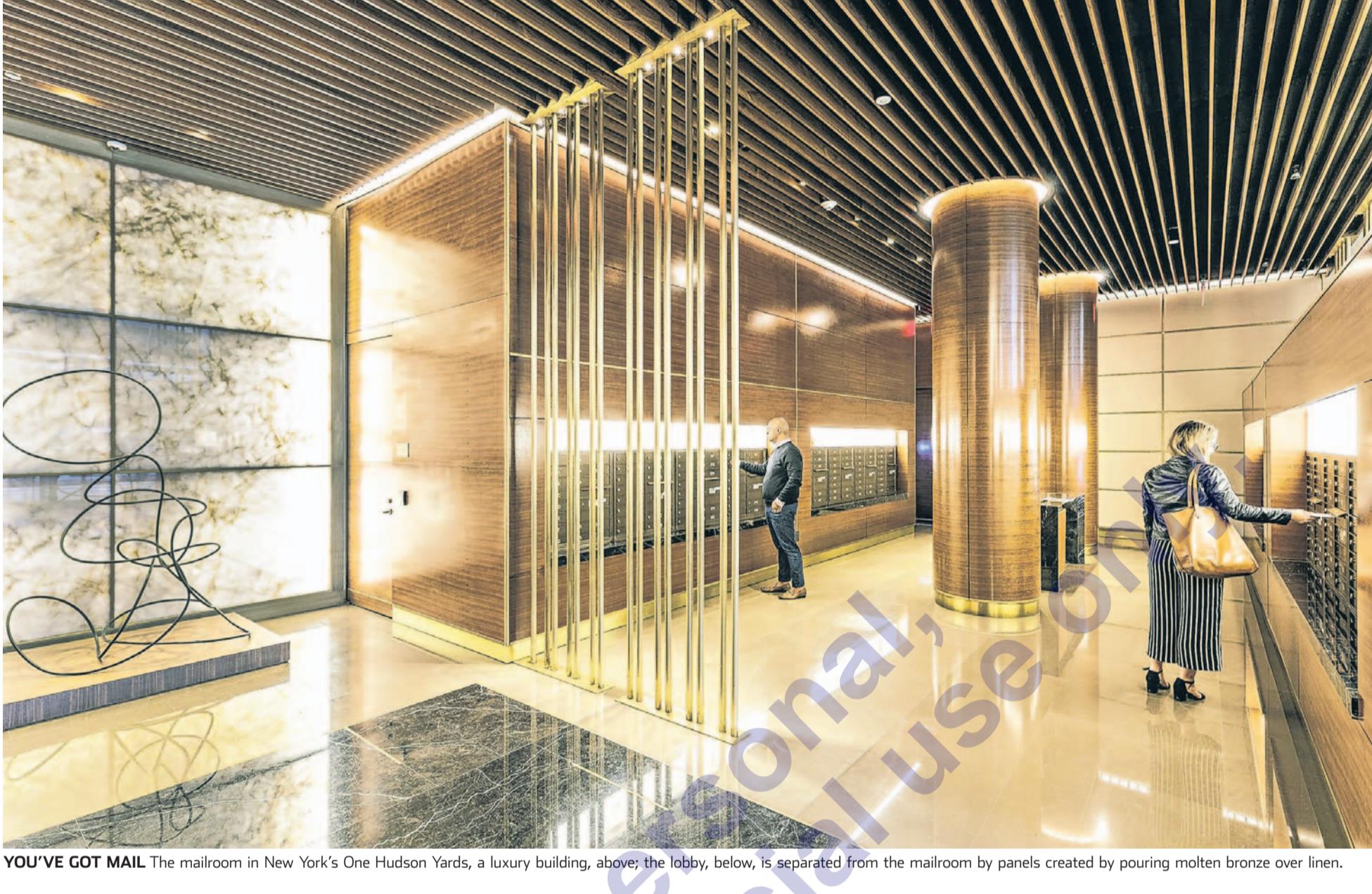
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THE WALL STREET JOURNAL.

Friday, June 8, 2018 | **M1**

A Chat, a View, a Catalog or Two

High-end real-estate developments are recasting the lowly mailroom as an attractive gathering spot; hanging out at the reclaimed wood sorting table.



DOROTHY HONG FOR THE WALL STREET JOURNAL (2)

YOU'VE GOT MAIL The mailroom in New York's One Hudson Yards, a luxury building, above; the lobby, below, is separated from the mailroom by panels created by pouring molten bronze over linen.

BY CANDACE TAYLOR

EACH MORNING, Diane Legault heads to an all-white space with floor-to-ceiling glass windows framing the Atlantic: the mailroom at Jade Signature, her beachfront condo building in Sunny Isles Beach, Fla.

"It has the most beautiful views," the 57-year-old pharmaceutical consultant says of the mailroom at Jade, where she lives in a \$5.4 million condo. She says she enjoys chatting with neighbors while sorting her mail at the reclaimed-wood table. "I take my time" going through the mail, she explains. "You don't mind doing it there because it's just such a lovely atmosphere."

The mailroom—that spot in every building where residents grab their bills and catalogs—is in transition. On one hand, postal mail grows ever less relevant amid the digital revolution: Overall volume fell by 4.9 billion to 149,491 billion pieces in fiscal 2017, the U.S. Postal Service reported. On the other hand, changes to the thicket of Postal Service, federal and local

Please turn to page M12



Kyra Sedgwick, 52, is an Emmy-winning actress who starred in TV's "The Closer" and directed "Story of a Girl." She has appeared in more than 40 films, including "Born on the Fourth of July," "Behind the Red Door" and "The Edge of Seventeen." She spoke with Marc Myers.

When I was 7 years old, my two brothers and I were playing tag in our New York apartment. At some point, we bumped into a twig sculpture that stood in our foyer. Over it went. We froze. It was an important piece of art.

My stepfather, Ben Heller, was and still is a prominent art dealer. Our apartment on Central Park West in the early 1970s was like a museum. On the walls were contemporary paintings by Jackson Pollock, Willem de Kooning, Mark Rothko and many other artists who were his friends.

My brothers and I waited in terror. But when my stepdad came home, he looked at the broken twig sculpture, looked at us and never raised his voice. He said, "You made a mistake. We all make mistakes. We'll fix it. And no more tag in the house."

I grew up on the Upper West Side of Manhattan. When my parents were still together, we lived at the El Dorado on Central Park

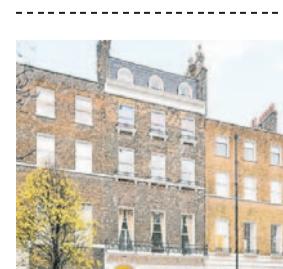
INSIDE



\$30 MILLION
Condo listing has ties to the Vanderbilts **M10**



SPANISH STYLE
A luxury villa brings the outside in **M3**



HAUTE SPOT
The rise of London's Marylebone **M4**



HOUSE CALL | KYRA SEDGWICK

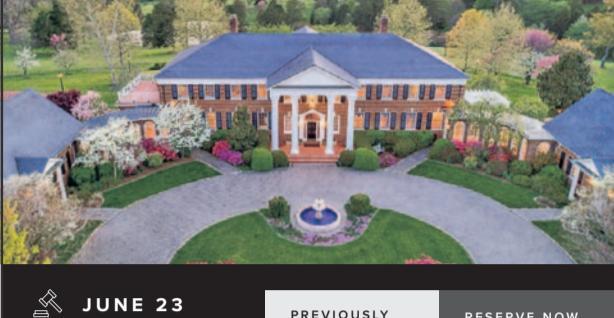
A CHILDHOOD HOME THAT FELT LIKE A MUSEUM

The actress's stepfather, an art dealer, filled the family apartment with Rothkos and Pollocks; a bad game of tag.



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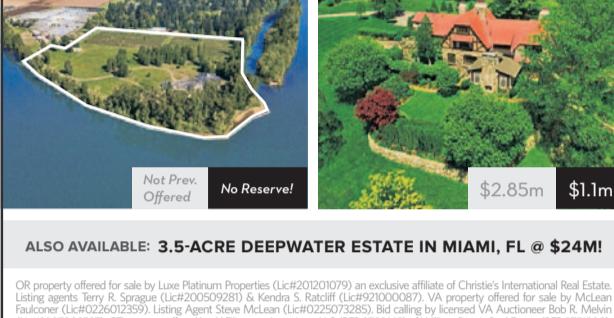
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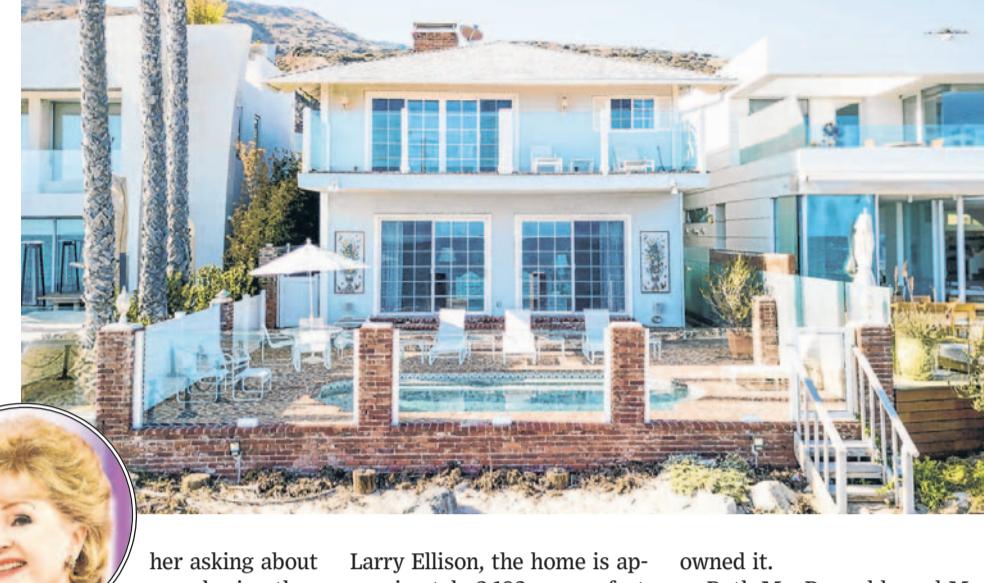
PRIVATE PROPERTIES | KATHERINE CLARKE

Debbie Reynolds's Beach House Lists

A Malibu, Calif., home built in the 1960s by the late actress Debbie Reynolds—and subsequently owned by the late Hollywood director Garry Marshall—is listing for \$18 million.

In her 2013 memoir "Unsinkable," Ms. Reynolds recalled that on weekends she would take Dick Van Dyke and Jason Robards, her costars in 1967's "Divorce American Style," to the beach house, where they would laugh, drink and sing. "Jason would sing along to the soundtrack from 'Mame,'" she recalled.

The property is currently owned by Barbara Marshall, the wife of Mr. Marshall, who directed popular movies like "Pretty Woman" and created sitcoms like "Happy Days" and "The Odd Couple." In 1981, Mr. Marshall bought the property from Ms. Reynolds, who starred in the first film he produced, the 1968 movie "How Sweet It Is!" Ms. Marshall said. Ms. Marshall added that several years before Ms. Reynolds's death, the family received a call from



her asking about repurchasing the house, but they were not interested in selling then. Todd Fisher, Ms. Reynolds's son, couldn't be reached for comment.

Ms. Marshall said her husband did some of his best creative thinking at the home. "He'd go down to the beach, talk to the waves and get answers," she said.

Located on Carbon Beach, where homeowners include billionaire Oracle co-founder

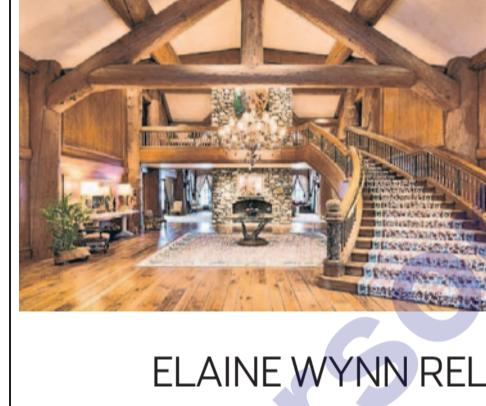
Larry Ellison, the home is approximately 3,192 square feet with five bedrooms and four bathrooms. It has an ocean-front pool. The home includes some of Ms. Reynolds's design flourishes, including Spanish tiles depicting fruits and vegetables that she brought home from vacations, Ms. Marshall said.

While the house hasn't changed dramatically, Ms. Marshall noted that it has been rewired and reroofed in the years since Ms. Reynolds

owned it.

Both Ms. Reynolds and Mr. Marshall died in 2016. Ms. Marshall said she is selling because she is based primarily in Toluca Lake, where she runs the Garry Marshall Theatre, and the family has little time to spend in Malibu. She added that the house is "just not the same" for the family without Mr. Marshall.

Tony Mark and Russell Grether of the Mark & Grether Group at Compass have the listing.



ELAINE WYNN RELISTS IDAHO ESTATE FOR \$19.5 MILLION

Billionaire and philanthropist Elaine Wynn is relisting her Idaho estate for \$19.5 million, or roughly 22% less than its original asking price. Despite the discount, it remains the most expensive home for sale in the state, according to listings website Zillow and a spokeswoman for the listing agent.

Ms. Wynn, 76, founded Wynn Resorts with her then-husband, casino mogul Steve Wynn. They divorced in 2010.

Ms. Wynn and her then-husband bought the property in 2009, records show. It wasn't clear how much they paid. Ms. Wynn originally listed the home for \$25 million in 2016, then took it off the market in February, ac-

cording to listings website HotPads.

The property is in Blaine County, almost 3 miles from the resort town of Sun Valley. It is set on almost 12 acres and overlooks the Big Wood River. The main house, which is built in log cabin-style with wooden beams and custom mill-work, totals roughly 15,093 square feet, with four bedrooms and six bathrooms.

Amenities include a theater room, a library, a gym and a massage area. Outside, there is a plunge pool and a fire pit. The property also includes two undeveloped parcels of

land. Darlene Young of Engel & Völkers has the listing.

Ms. Wynn is Wynn Resorts' largest shareholder after Mr. Wynn resigned from his post as chief executive and sold off all his shares following a January article in The Wall Street Journal detailing allegations from current and former employees that would amount to a decadeslong pattern of sexual misconduct.

Since then, Ms. Wynn has succeeded in pressing for changes at the company's board.

Mr. Wynn has said it is "preposterous" that he would assault a woman; and at the

time, he didn't respond to other allegations of sexual misconduct. His attorney, Lin Wood, said in April: "Mr. Wynn has not engaged in any non-consensual sexual relations with any of the women upon whom the Journal has relied on its reporting."

Mr. Wynn in April sued a former employee who was quoted in two Journal articles about the allegations, claiming that the former employee defamed him by spreading false accusations. The employee denied the accusations in a court filing.

Petra Ecclestone asks \$175 million and a Vanderbilt penthouse lists. M10

MAC HAYWARD (CALIFORNIA); ENGEL & VOLKERS (IDAHO); GETTY IMAGES (PORTRAITS)

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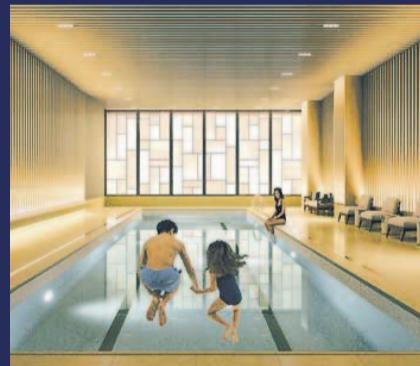
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BALANCE SHEET

A Spanish Villa Designed for Outdoor Living

A Valencia-area home makes the most of a sunny climate with retractable glass panels and terraces

BY J.S. MARCUS

SPANISH FASHION entrepreneurs Vicente Belenguer Devesa and María Jesus Muñoz Gozalvo had a townhouse in Godella, a high-end residential community northwest of Valencia, Spain's third-largest city. But with only three bedrooms to accommodate their family of five, and an appetite for a more luxurious lifestyle, the couple decided to commission a mansion that would make the most of the subtropical climate.

In August 2015, the couple, now in their early 50s, purchased an empty, half-acre lot for over \$700,000, a short walk from their townhouse, then went on to spend around \$1.6 million to build and furnish a five-bedroom, six-bathroom, three-level villa. To incorporate the outdoors, the home's ground floor has retractable glass panels that turn the open-plan kitchen and living areas into an extension of a spacious backyard.

"We spend more time outside than in," says Mr. Belenguer Devesa, a Valencia native. The couple's company, Navima Calzados SL, produces a number of women's shoe brands, including Lola Cruz, which has two boutiques in Barrio Salamanca, Madrid's equivalent of Manhattan's Upper East Side.

The couple and their three daughters—Natalia, 20, Elena, 17, and Paloma, 13—moved into the largely completed home in December 2016. This summer, the family plans to put on finishing touches, such as an outdoor barbecue area and backyard shower.

Valencia arguably has the best climate of Spain's large cities. Unlike Madrid, its winters are mild and short, and unlike Barcelona its hot summers are rarely humid. The couple's architect, Julio Gómez-Perratta, oriented the house so that the ground floor's open plan and adjoining yard face southeast. This keeps the site naturally cool, thanks to sea breezes blowing from the east, while sparing it the heat of the western sun.

The couple installed central air conditioning, but "I have only used it for a day or two," says Mr. Belenguer Devesa. He says they use their underfloor heating a few months a year. They supplement electricity generated by solar panels with a conventional gas boiler.

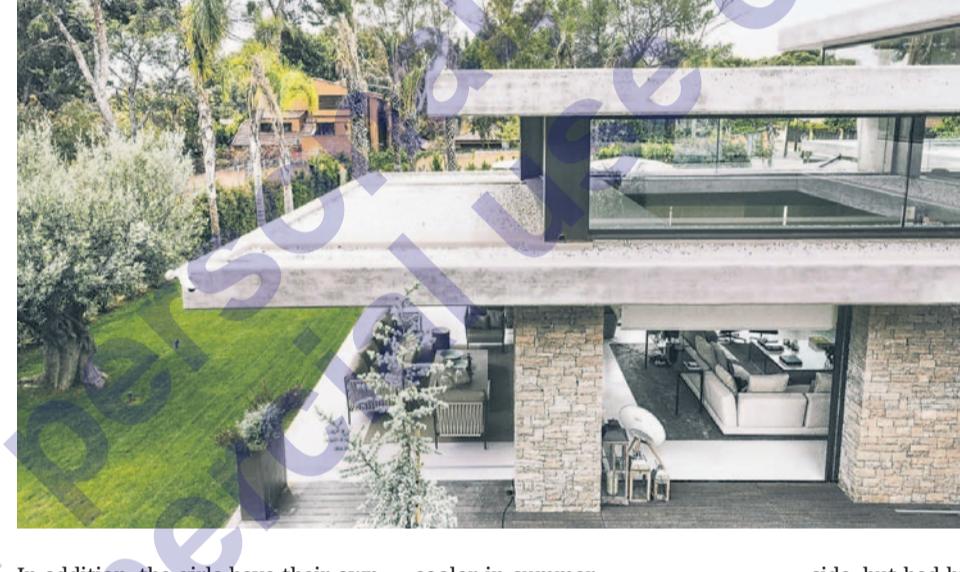
The industrial aesthetic of concrete floors and exposed cooling ducts is a signature of the architect, whose firm, Perretta Architecture, is a Valencia-area studio specializing in villa construction.

Mr. Perretta, 62, has something of a Brutalist bent, and he opted for unfinished concrete slabs to give



BEN ROBERTS FOR THE WALL STREET JOURNAL (3)

OPEN AIR The home's retractable glass panels extend the living space outdoors, above. Left, one of the couple's daughters curls up with the family dog. Below, concrete slabs provide edginess.



the house both its structure and its severe exterior, which he moderated with hand-cut Spanish stones. The home's main staircase has a banister made of sharply swirling steel, and even the kitchen has a somewhat industrial quality, with a stainless-steel island countertop.

During typically late dinners outside, the family likes to look at the illuminated house, which seems to glow from within thanks to a network of floor-level lights.

In anticipation of their empty-nest years, the couple placed the master suite, which features a walk-in closet and private outdoor area, on the ground floor.

In addition to long-term plans for bungalow-style living, the couple planned for the medium term, when their three daughters might all have cars, by building a six-car garage. The daughters got more space to spread out inside, too. In the family's townhouse, two of the couple's daughters shared a bedroom; in their new home, each daughter has her own bedroom and en suite bath.

In addition, the girls have their own upper-level living room, which leads to two terraces that they use for outdoor parties.

The couple built a 7,500-square-foot basement, part of which they plan to use for a home gym and a staff suite, but which a future owner could turn into an apartment for a family member or rental income. The basement also helps moderate the home's temperature, says Mr. Perretta, helping to insulate it in the colder months and keeping upper stories

cooler in summer.

The couple had long had an eye on Mr. Perretta's distinctive concrete-and-stone style, and before commissioning the new house, they were outbid on another Perretta villa that had come on the market. But a point of discrepancy between architect and client arose over the use of wood in the facade. Mr. Perretta wanted real wood, while Mr. Belenguer Devesa wanted a more durable product, made of compressed wood mixed with resin. Mr. Perretta deferred to his client out-

side, but had his way with the main interior staircase, which has real oak steps.

Wealthy Valencians have been building villas here since the 1930s, and a trip up to the roof reveals the home to be a contemporary outlier surrounded by Spanish tradition. The roof also provides a dose of natural grandeur, thanks to sea and mountain views, but the family doesn't have any plans to convert it into another terrace. "Right now, we have enough space," says Mr. Belenguer Devesa.



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MANSION

THE MARKET

London's Breakout Neighborhood

Once dowdy, Marylebone has risen to rival wealthier enclaves thanks to hip shops and restaurants



BY RUTH BLOOMFIELD

THE NEIGHBORHOOD of Marylebone was once considered distinctly second rate by central London standards. Now it is in the midst of a renaissance that has been almost 30 years in the making.

Its combination of strategically curated shops, bars and restaurants, plus a ripple of buyers flowing out of more expensive swaths of central London, has swept it into the premier league of city real estate.

Property prices have increased by a steady 16% since 2013, according to data from estate-agents Savills. To put this into context, prices across prime central London, the gilded streets immediately to the south and southwest of Marylebone, have fallen 9% over the same period.

"In the past, Marylebone was just a bit unloved, and the high street was a bit of a nonentity and full of charity shops [thrift stores]," said James Staite, sales manager at Kinleigh Folkard & Hayward.

Much of the credit for Marylebone's rebirth belongs



ON THE MARKET A one-bedroom apartment on the second floor of a five-story house, above, is listed for \$1.67 million. Below, a two-bedroom in the Chiltern Place building is asking \$6.34 million.



STREET SCENES Above, at left and below, some of the upscale cafes and shops that are part of the renaissance in Marylebone.

guide price of \$17.28 million.

Many of these houses are considered too large for modern city-center life and have been divided into apartments. Currently on the market is a one-bedroom, 932-square-foot apartment on the second floor of a five-story house listed for \$1.67 million, according to Carter Jonas, the listing agency.

More recently Marylebone has been the focus of high-end developments that have stimulated interest in the area, particularly from overseas buyers who prefer new to historic homes.

Some want a lock up and leave London pied-à-terre, but Mr. Staite says many are looking for digs for teenage children studying at one of London's universities. "Overseas buyers are a real mixture," he said. "Middle Eastern buyers make up a lot of them. And despite Brexit concerns, we still see buyers from mainland Europe."

Buyers who do prefer new homes could pick up a two-bedroom, two-bathroom apartment in the landmark 15-story Chiltern Place building, listed with Knight Frank for \$6.34 million. The building, with interiors by the fashion designer Tomasz Starzewski, has probably the highest profile of a slew of new developments over the past five years.

To date around 80% of its 55 homes have been sold, with prices ranging from around \$2.67 million to up to around \$10 million, said Moreas Madani, a partner at Knight Frank, the development's selling agent.

Along with this kind of success comes complaints from some residents about overdevelopment.

Dozens of people living close to the Chiltern Firehouse, a celebrity-friendly and paparazzi-swarmed restaurant that was opened by American hotelier André Balazs in 2013, have complained to the local council about being disturbed by shouting photographers, loud music, sports cars being raced up and down outside the restaurant in the early hours of the morning, and illegal parking.

And news that a popular weekend farmers market held at a parking lot just off the main street was to be moved to a new location to make way for a \$400 million development of 79 luxury apartments sparked a long-running—but ultimately unsuccessful—campaign by both locals and shoppers anxious to protect what has become a popular London institution. Work is due to start on the parking lot site later this year.

Despite this, Mr. Madani has faith in the area's potential for future price growth while still retaining its independent charm. "I think the Howard de Walden Estate...will make sure it keeps its villagey feel. And if you look at everywhere else in prime central London, Marylebone is still cheaper which means that it also has room for prices to continue to go up."



to its major landlord. The family-owned Howard de Walden Estate, which dates from aristocratic ownership

in 1715, covers 92 acres and owns the freehold lease to almost 900 properties, both residential and commercial.

Since the 1990s the estate has been quietly reinventing its holdings, upgrading its properties and revitalizing the main street by rigorously curating the mix of businesses moving in. "It has done a huge amount to smarten up the area," said Tim Fairweather, director of Sandfords estate agents.

The estate selected the up-market Waitrose supermarket as an anchor store, and over the past two decades has slowly and carefully augmented it with an interesting mix of independent boutiques, designer brands, high-end cafes, and high quality restaurants, pubs and bars.

The improvements have drawn some buyers from more elite enclaves nearby. "People who might once have aspired to live in Mayfair, or Knightsbridge, have

now moved up to Marylebone," said Mr. Staite. "There has definitely been a ripple effect which has helped the area."

While Marylebone is certainly not a place to go for a property bargain, Savills points out that at an average price of \$2,269 a square foot (for resale properties)

Marylebone property is currently 30% cheaper than in neighboring Mayfair, which is part of traditional prime central London.

Its family homes are generally elegant Georgian townhouses; tall and skinny homes built in redbrick sometimes clad in white plaster, with huge windows and high ceilings. A classic example is a 7,224-square-foot, five-bedroom, four-bathroom house currently listed with Savills with a



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WEST CHELSEA, NEW YORK CITY
Impeccably designed and fully furnished 2,425 sq. ft. residence on the waterfront. 2 bedroom, 2.5 bathroom. \$9.8M. Erin Boisson Aries, +1 212 974 4551.
Dustin Crouse, +1 212 636 2234.

Christie's International Real Estate Group



TUCKER'S TOWN, BERMUDA
Two hours from NYC, set on Mid Ocean Club's prized 2nd fairway, the Roughill Estate is ideal for the active family lifestyle. \$14.75M. John M. Sinclair.
+1 441 296 0278

Sinclair Realty Bermuda



CHATHAM, MASSACHUSETTS
6+ acres of private waterfront on Stage Harbor with a 5BR, 3.5BA home. Property offers exceptional potential to build a dream estate. \$6.75M. Chris Rhinesmith.
+1 508 945 1186

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CHARLESTON, SOUTH CAROLINA
Rich history and architecture blend together in The Branford-Horry House offering unparalleled Charleston charm and sophistication. \$6.2M. Helen Geer.
helengeer@williammeans.com

William Means Real Estate



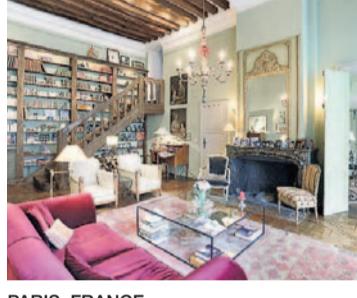
CHATHAM, MASSACHUSETTS
New shingle style 5BR waterfront property with infinity pool on Crow's Pond. Designed and built by Polhemus Savery DaSilva \$5.695M. Chris Rhinesmith.
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Historically significant waterfront 5BR, 5.5BA estate property w/ dock sits on private point overlooking Oyster Pond & Oyster River. \$4.999M. Lori Fanning Smith.
+1 508 945 1186

Pine Acres Realty



PARIS, FRANCE
This exceptional 188 sqm apartment with high ceilings includes a reception room, a master suite and three further bedrooms. €4.725M. Pauline D'ASSIGNY.
p.dassigny@danielfeau.com

Daniel Féau



CHATHAM, MASSACHUSETTS
Family compound overlooking Stage Harbor on the loop to town and Lighthouse Beach. Includes main & guest house. \$3.75M. Lori Fanning Smith.
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RIDGEFIELD, CONNECTICUT
Exceptional opportunity. Prized walk-to-town home w/ impressive workmanship & design. All beds en-suite, elevator, theater. 1hr to NYC. \$2.995M. Karla Murtaugh.
karla@karlamurtaugh.com

Neumann Real Estate +1 203 856 5534



PALM SPRINGS, CALIFORNIA
Spectacular California-style home in Old Las Palmas. \$2.995M. TTKeresents.
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HK Lane Real Estate



NORTH CHATHAM, MASSACHUSETTS
4BR beach cottage on a secluded peninsula on a half acre of land. Live in this old style cottage "as is" or design a salt water-front retreat. \$2.995M. Chris Rhinesmith.
+1 508 945 1186

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Stunning 6-bed architectural gem on 2+ private acres w/ pool. Perfect indoor/outdoor entertaining spaces. Top location. 1 hour to NYC. \$2.8M. Karla Murtaugh.
karla@karlamurtaugh.com

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NORTH CHATHAM, MASSACHUSETTS
Updated Federal style 8BR, 3.5BA, 2 family home. Large lot with elevated views of Chatham Harbor. Expansive lawn offers space for pool. \$2.75M. David Carter.
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On over an acre of property, this spectacular home has been extensively renovated to a luxurious standard. \$2.699M.
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Walk to everything from one of Main Street's most admired properties. 6-bed, beautifully appointed 1.13 acres w/ pool. 1hr to NYC. \$2.6M. Karla Murtaugh.
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The ultimate beach house. Steps to the ocean, lake & downtown, plus in-ground pool! 5 bed, 4 baths. \$2.599M.
Brian Church. www.16Atlantic.com.
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Incredible views. Modern masterpiece by renowned architect, barn w/apt. & indoor basketball court. 11 acres for horses or farm. 1hr to NY. \$2.45M. Karla Murtaugh.
karla@karlamurtaugh.com

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SPRING LAKE, NEW JERSEY
Private and elegant colonial with water views, 4 beds, 3.5 baths, outdoor pool. \$2.439M. Brian Church. www.207South.com.
+1 732 449 0671

Gloria Nilson & Co. Real Estate



GARDEN CITY, NEW YORK
The perfect combination of original charm and thoughtful modern convenience. Fantastic floor plan with gourmet chef's kitchen. \$2.188M. Lisa Fedor.
+1 516 578 2639

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MONMOUTH BEACH, NEW JERSEY
Sitting on just under an acre, this home has loads of charm and character. \$1.999M. John Keating. +1 732 996 8702. Web ID: 21811829
JKeating@GloriaNilson.com

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RIDGEFIELD, CONNECTICUT
Grand, open-concept home on breathtaking 15 acres. Pool, tennis court & barn. Close to bridle trails on N. Salem border. 1hr to NYC. \$1.995M. Karla Murtaugh.
karla@karlamurtaugh.com

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EXUMA, THE BAHAMAS
Gorgeous 2 bedroom Grand Villa penthouse enjoys breathtaking views and luxury resort amenities. \$1.75M. Krystle Rodgers. Web ID: XS11478
Sales@HGChristie.com

H G Christie Ltd.



JACKSON, WYOMING
Ranch Estates at Snake River Sporting Club. 7 to 35 acres. Access to Snake River and National Forest. \$1.495M. Jeff Heilbrun. jheilbrun@srsportingclub.com.
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Jackson Hole Real Estate Associates



RIDGEFIELD, CONNECTICUT
Lifestyle guru Katie Brown's stylish 6-bed vintage gem on 4 park-like acres. Perfect year-round residence or weekend retreat. 1hr to NYC. \$1.425M. Karla Murtaugh.
karla@karlamurtaugh.com

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CHARLESTON, SOUTH CAROLINA
Stunning four bedroom custom home in great neighborhood with saltwater pool and marsh views. \$1.299M. Farrah Follmann. Web ID: 18003247
farrah@williammeans.com

William Means Real Estate



LAKESIDE, MONTANA
Elegant home on Flathead Lake. 200 ft. of pebble beach, views of Glacier National Park, guest house, dock, boat lift. \$6.25M. Web ID: 21800949.
David Fetveit +1 406 249 1764

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A Magnificent Custom "California Inspired" Estate Home perched up high on 3 acres of serene privacy with stylish outdoor entertaining. \$1.169.9M. Jo Ann Stewart.
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MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

TAX LAWS HAVE BUYERS ON THE MOVE

The new cap on deductions for state and local taxes has some people looking to lower costs by relocating out of state



NEW TAX
rules that
cap deduc-
tions of
state and
local taxes
are having

a disproportionate effect on
taxpayers who live in states
with high income taxes and
property taxes.

While it's too early to
quantify the impact of the
Tax Cuts and Jobs Act,
which became effective on
Jan. 1, some real-estate pro-
fessionals say they are be-
ginning to see early signs of
an exodus to low-tax states.

"I've seen a huge increase
in the number of clients who
want to purchase in Palm
Beach to establish residency
in Florida," says Chris
Leavitt, director of luxury
sales at Douglas Elliman Real
Estate in Palm Beach. "And
there has been a pickup
since Jan. 1."

Recently, Mr. Leavitt was
dining at a restaurant in
Palm Beach when he ran into
four couples from New York
City who were all in Palm
Beach to look for real estate
to establish residency in
Florida. "They were finance
people in their mid- to
late-30s looking in the
\$700,000 to \$1.5 million
range for condos on the is-
land," he says. "That night I
saw before my eyes how this
tax law is impacting the real-
estate industry here."

Before the new rules, tax-
payers who itemized could
write off an unlimited
amount of state and local
taxes, unless disallowed under
the alternative minimum tax.
But now, the deductions
are capped at \$10,000.

The change most affects



CHRIS GASH

taxpayers in states with high
income and property taxes.
According to the Tax Founda-
tion, a pro-growth tax-policy
nonprofit, the six states with
the highest state and local tax
deductions as a percentage of
income are New York, New
Jersey, Connecticut, Califor-
nia, Maryland and Oregon.

There are also provisions
in the new tax law that ben-
efit high-net-worth individu-
als, such as a reduction in
the top individual tax rate
and an increase in the estate
and gift tax exemption.

Real-estate developer Da-
vid Hutchinson, president of

Ketchum, Idaho-based VP
Cos., is touting the tax ad-
vantages of living in Nevada
on his company website that
highlights Clear Creek Tahoe,
a golf community that will ul-
timately include 391 custom
homes—a project in which he
is a minority interest holder.
The border between Califor-
nia and Nevada bisects Lake
Tahoe. Californians to the
west can pay a state incom-
e tax rate of up to 13.3%, while
Nevada residents just 30
minutes to the east pay no
state income taxes.

"Most of our lot sales are
to buyers from California,

the vast majority of whom
intend to make them a per-
manent residence," Mr.
Hutchinson says. "If you're a
wealthy tech executive from
the Bay Area who can live
wherever you want and you
have a \$3 million income,
you would have \$399,000 a
year in savings here. That's a
lot of money to spend on
real estate."

If you're thinking of relo-
cating to reduce your taxes,
here are some things to con-
sider. Consult a tax specialist
for specifics.

• **It isn't just about the
taxes.** Consider your lifestyle

as well. "Make sure you want
to live there, and that it's not
just to save the taxes," Mr.
Hutchinson says. "It is great
to save money, but if you're
not a Texas person and you
move there just to save on in-
come taxes, that's a mistake."

• **Look at all the costs.**
When deciding whether to
move—and where—look at
the other costs of ownership.
For example, a state with low
income taxes may make up
for it with a high sales tax.
Or, in states like Florida, you
may end up paying substan-
tially higher costs for home-
owners insurance. You may

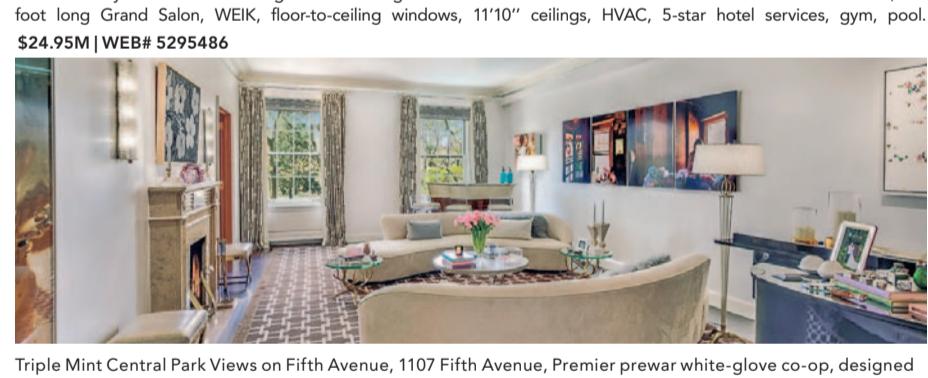
ultimately save on income
taxes by establishing resi-
dency elsewhere, but if the
state you're moving to has
higher costs of ownership, it
might turn out to be a wash.

• **Keep up on the news.**
Some states, like New York
and New Jersey, are trying
to fight back against the fed-
eral limitations on the state
and local tax deductions
through workarounds that
would allow residents to
continue to benefit from the
deductions. There is no way
of knowing, however, if these
tactics will ultimately sur-
vive a challenge by the IRS.



Grand Limestone Mansion, 5 West 87th Street, Beautifully renovated townhouse right off of Central Park West, entire home is 6,834 sqft including a finished windowed basement, 5 bedrooms, 4 bathrooms, 5 stories, 21-foot long landscaped garden, 3rd floor terrace, Juliet balconies, ceilings up to 10'8", working fireplace, lounge, WEIK, LR, library, central AC. \$10.925M | WEB# 5471651

Panoramic Central Park Views, 157 West 57th Street, Apartment 67B, Trophy residence with brand-new renovation by David Howell Design. Breathtaking views of Central Park & Hudson River. 3 bedroom/3.5 baths, 42-foot long Grand Salon, WEIK, floor-to-ceiling windows, 11'10" ceilings, HVAC, 5-star hotel services, gym, pool. \$24.95M | WEB# 5295486



J.E.R. Carpenter Park Avenue Perfection, 960 Park Avenue, Premier prewar white-glove co-op located on the 3rd floor, triple mint renovation by Haynes Roberts, twelve into eleven rooms, 6 bedrooms, 6.5 bathrooms, 2 WBFPs, 10'3" ceilings, corner living room, formal dining room, library, WEIK, central & TTW AC, gym. \$14.5M | WEB# 5439649



Park Avenue Masterpiece, 730 Park Avenue, high floor duplex, Premier prewar white-glove co-op, luxurious triple mint corner residence, 13 rooms, 5 bedrooms/5.5 bathrooms, high ceilings, 3 WBFP, corner LR, library, corner media room, formal DR & informal DR, WEIK, corner master BR - 3 room suite with dressing & sitting, 5-zone CAC, gym. \$22M | WEB# 5219218



Sun-Flooded Carnegie Hill Home, 180 East 93rd Street, 2nd Floor, Premier white-glove condo, Triple mint renovation, designed by Celerie Kemble, over 3,000 sqft, 4 bedrooms/4 bathrooms, 10-foot ceilings, treetop and garden views, grand LR, FDR, EIK, media/entertainment room, central AC, storage, gym, playroom. \$5.475M | WEB# 5272903



PH Perfection, 829 Park Avenue, Premier prewar white-glove co-op, PH duplex reno by SilverLining w/ interiors by Melanie Roy, solarium, 2 terraces, 4 BR/4.5 baths, 12' ceilings, 2 FP, crn LR, FDR, media/gam rm, WEIK, 15+ cells in crn master suite w/ dressing/sitting rm, central AC, gym, 390 SF windowed rm downstairs. \$15.995M | WEB# 5194107 | Co-Listing



Park Avenue Masterpiece, 823 Park Avenue, 5th Floor, Premier prewar white-glove condo, 4,184 sqft, 5 bedrooms, 4.5 bathrooms, 10-foot ceilings, two working fireplaces, panoramic 32-foot long LR, FDR, WEIK, combined two room master suite, central AC, storage, gym. \$12.575M | WEB# 5455546



Panoramic Triple Mint Duplex, 230 West 56th St, 50/51F High floor corner condo with interiors by Jeffrey Bilhuber, 4 bedrooms, 3.5 baths, 2,954 SF, Central Park, river & open city views, corner DR, LR, WEIK, corner MBR w/ dressing room, oversized windows, CAC, gym, lounge, garage. \$6.795M | WEB# 5243994 | Rent for \$20,000/mo



Luxurious High Floor Residence on Park Avenue, 815 Park Avenue, Apartment 12B, Premier prewar white-glove co-op, 3 bedrooms, 3 bathrooms, LR with wood-burning fireplace, WEIK, FDR, corner master suite, high ceilings, prewar architectural details, storage bin, gym, recreation room, bike storage. \$2.875M | WEB# 5372903

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Special Advertising Feature

HAMPTONS, NORTH FORK & EAST END PROPERTIES

BROWN HARRIS STEVENS

Summer Living: Take The Plunge

WHY THIS SECOND-HOME MARKET
HAS TIMELESS APPEAL

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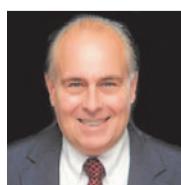
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2. Just Completed | Bridgehampton

\$7,950,000 | 1.9± Acres | 5,233± sf | 6 Bedrooms 6.5 Baths | Finished Lower Level | Heated Gunite Pool and Spa | Tennis Court | Heated 3-Car Garage Overlooking Horse Farm | WEB# 20008

3. Ocean Access | Bridgehampton South

\$7,995,000 | 0.92± Acre | 5,200± sf | 5 Bedrooms 6 Full, 2 Half Baths | Heated Gunite Pool | 2-Car Garage + Poolhouse with Living Areas, Full Bath and Kitchenette | WEB# 37518

4. New Construction | Water Mill South

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Special Advertising Feature

HAMPTONS, NORTH FORK
& EAST END PROPERTIES

Renewed Excitement Among Hamptons Homebuyers

By Joseph Dobrian

The Hamptons and the North Fork—the two easternmost branches of Long Island, separated by the Peconic River—seem to never lose their appeal as second-home markets. While homebuyers have discovered the quieter, slower-paced appeal of the North Fork, the Hamptons, with their legendary beaches and exciting nightlife, are still the main draw. Both markets appear pretty active this summer.

UPSWING IN SALES

Everyone knows about the Hamptons' legendary party scene, but Eastern Long Island is also a haven for lovers of food, fitness and nature. Restaurants and fitness centers seem to be among the main drivers of retail leasing. The North Fork has recently seen increased focus on the production of artisan wine and local produce, and this has stimulated the growth of restaurants and other retail in that area. The Hamptons, always active, seem to be gaining excitement as the economy stays strong.

Tony Cerio, broker with the Brown Harris Stevens real estate firm, notes that sales appear to be on the upswing in the Hamptons, with a fairly good selection of available product, including renovations, new construction, and luxury rentals.

"Sales are up 20%, easily, in the past year and a half," he says. "The stock market is doing well, and buyers see real estate as a safer investment. Sellers are more realistic about pricing, and both buyers and sellers are more cooperative about negotiating."



The East Hampton Point resort includes a marina and more than 60 slips.

His current offerings include an exclusive rental on Meadow Lane—\$750,000 for the summer—and a property he describes as "the buy of a lifetime," a parcel priced at the value of the land, with the house and pool included.

He's especially enthusiastic about East Hampton Point, a resort that includes a marina with more than 60 slips, 13 separate cottages, seven suites, heated pool, and tennis court. The asking price is \$27 million. A popular restaurant that features coastal Italian cuisine has opened for the summer at that resort, following a year's hiatus; Mr. Cerio calls it "the perfect brand for East Hampton Point. The Hamptons are like Hollywood: lots of actors, rock stars, TV personalities, many of whom live here full-time.

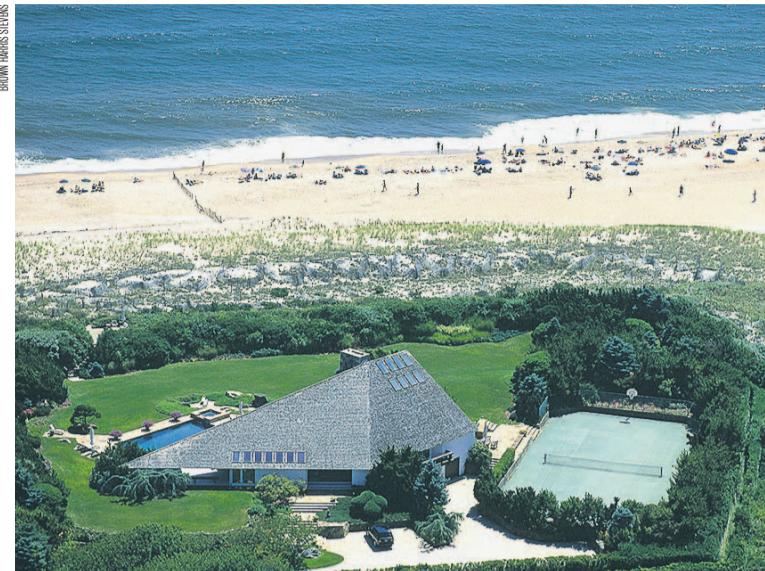
"The Hamptons have been fully revitalized from their low point seven or eight years ago."

LONGER LEASES

Karen Bellantoni, vice chairman of RKF, a New York-based firm that specializes in retail leasing, concurs with that assessment.

"This is the first time I can remember in 10 years that the Hamptons are seeing vigorous retail leasing," she says. "Some of the leases have been seasonal—just for the summer—but we have had several two- and five-year commitments this year, as well as renovations and some construction of new retail property. It's a much more solid market, and new faces are coming into East Hampton and Southampton. We've seen more fitness-related retailing, more 'athleisure.'

"My residential broker friends are seeing lots of activity in new homes," she adds. "Apparently a lot of those transactions are all-cash."



The Hamptons beaches make this area a legendary summer destination.

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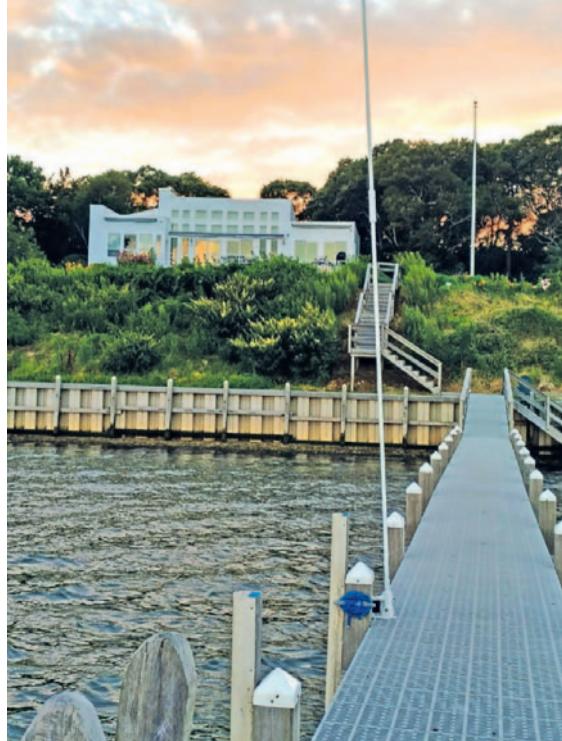


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Special Advertising Feature

HAMPTONS, NORTH FORK
& EAST END PROPERTIES

North Fork Attracts Buyers' Notice

By Joseph Dobrian

The Hamptons will always be the most exciting, exclusive, and most expensive second-home market on Long Island. But the North Fork—the long branch of land between Long Island Sound and the Peconic River—has its adherents as well, and more homebuyers are looking there.

LOWER PRICES

Developer Robert Morrow says North Fork property values have escalated as buyers gain awareness of the quieter lifestyle and lower prices compared to the Hamptons. In Southold, he's working on a 124-unit 55-plus project called Harvest Pointe.

"This is the first project of its type to be approved in Southold in 20 years," he notes. "The units are 1,600 or 2,000 square feet. Forty-eight are free-standing one-family houses; the others are semi-detached. Each one has a two-car garage and full basement; all have first-floor master bedrooms. We're seeing considerable demand from the growing population of people over 55 who want to downsize—and in the Hamptons, there's no place to build these communities, [because] the zoning doesn't allow it."

The smaller units at Harvest Pointe start at \$695,000, Mr. Morrow says, and the larger ones are priced in the \$800,000 range. Real estate taxes and condo fees, together, come to \$750 to \$800 per month. The development includes a 6,200-square-foot clubhouse with heated pool, individual wine lockers for each owner, fitness center, bocce and tennis courts, and bar and meeting rooms.

"Homes all have a fireplace, a center kitchen isle, hardwood

RM DESIGN / HARVEST POINTE



Harvest Pointe is the first project of its kind to be approved locally for 20 years.

RM DESIGN / HARVEST POINTE



The development is a response to demand from downsizers in the 55+ range.

flooring," he concludes. "The North Fork is wonderful; all the farms [are] starting to blossom now. Most of the best restaurants in the area are in Greenport, but five or six places in Southold have brought in well-known chefs from the city. A whole new element of homebuyer is coming into the North Fork."

GROWING DEMAND

Judi A. Desiderio, CEO of Town & Country Real Estate in East Hampton, says she sees considerable escalation in median home-sale prices on the North Fork. Inventory is low, especially for bargain-priced property, as demand is growing.

"It's not the Hamptons; there's no ocean," she concedes, "but people appreciate the rural atmosphere, the farm-to-table lifestyle. We're seeing more sales in the \$1 million range, and developers are building more in the \$2 million range: Hamptons-quality homes. The sale prices in the Hamptons remain significantly greater, though, as does the total sales volume."

"On the South Fork, each hamlet is becoming more individualized. They always were, but it's more exaggerated now. A Montauk buyer is a Montauk buyer and you'll never get them

out of there. An East Hampton buyer won't look at Westhampton, and Westhampton is attracting a whole different demographic that wants proximity to the city. New hotspots are emerging, but the 'crown jewels' remain."

Timothy O'Connor, agent in Halstead's East Hampton office,

says properties in move-in-ready condition are selling extremely quickly—if they're priced correctly for their size and location.

"This is true across all price points," he says. "Few buyers in the Hamptons today are looking for a project; what they want is the front door key, the WiFi password,

and the ability to move in with their toothbrushes.

"Amagansett is a particularly hot market right now, especially south of the highway locations and in the Amagansett Dunes."

Joseph Dobrian is a freelance writer specializing in real estate.

HARVEST POINTE ON THE NORTH FORK

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Construction is currently underway and moving along rapidly on the clubhouse, first homes, and models.

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Construction is underway on our clubhouse, first homes, and models.

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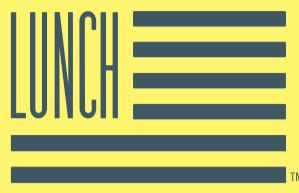
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MANSION

ELEMENTS

WHEN A WALL ISN'T A WALL

Steel-and-glass partitions break up spaces without diminishing light and sight lines; painted wood as an affordable alternative

FOR HOMEOWNERS who can't decide between an open-plan layout or one with separate rooms, there's a compromise: steel-and-glass partitions that define interior spaces while maximizing light and transparency. Once primarily used to create an industrial look, the partitions can add a sense of timelessness—and a graphic punch—to more traditional residential interiors.

Influenced by glass partitions found in turn-of-the-century European apartments, Oink Studio in Germany has created painted wood-and-glass half partitions for projects in the U.S. and Europe. Wood is less expensive than steel and can be painted to match the wall color.

The size of the windows and thickness of the steel frames typically are adjustable. Crittall Windows, a British manufacturer, recently launched a line of minimalist interior windows called InnerVision that offer what it calls "slim profiling." The designs cost up to \$150 a square foot, including installation.

—Karen Bruno

**LIGHT VIEWING**

The London design studio Turner Pocock used a Crittall Windows steel-frame divider with three window sizes to allow light into a den and television room from a stairwell.

Price: About \$5,600, installed

**DRESSED FOR BED**

Studio Oink, of Leipzig, Germany, used this pine-and-glass half-partition to divide a bedroom from a dressing area, allowing light to enter the windowless room. A curtain in the bedroom provides privacy when needed.

Price: \$2,462

MAKING WAVES

LDa Architecture & Interiors, based in Cambridge, used a four-panel, sliding pocket door made of black-painted maple, to mimic heavier—and costlier—steel-framed partitions to create privacy in a dining room that overlooks the ocean. The client wanted to be able to close off the space during dinner parties, but have views and light penetrate from outside into the adjacent living room.

Price: About \$8,000

**CUT THE NOISE**

For a TV room that connects to a living room, a steel-and-glass bi-fold partition provides both visual and acoustical separation. Though not completely soundproof, the noise is significantly reduced when the doors, which lie flat against the walls when open, are closed. "They look beautiful both open and closed," says designer Mark Cravotta, of Austin-based Cravotta Interiors.

Price: About \$15,000, installed, for a model made by a local metalsmith



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MANSION

Living In a 'Museum'

Continued from page M1

West. My father, Harry, was a venture capitalist. When my parents divorced, he became something of a '70s swinger. He was handsome and charismatic and had lots of girlfriends.

My mother, Patricia, soon remarried, and we moved to my stepfather's apartment, which also was on Central Park West. The apartment was on the 9th floor and cleared the trees. I loved watching the seasons change in the park.

My mother was a therapist who treated children with learning differences. Her office was in our apartment, and she worked a lot.

My stepdad's art collection scared me at first. In addition to the abstract expressionist works, he had a lot of voodoo pieces, like baby skulls, that were used in ceremonies.

Eventually, the paintings instilled in me a powerful sense of imagination. They showed me that within chaos was structure and beauty. The Pollock works were exciting and the Rothkos made me emotional.

My older brothers, Rob and Nikko, toughened me. They'd beat me up when I was little, and we'd play football in Central Park. I became a serious tomboy—so much so that I had only one Barbie. Instead of playing with dolls, I'd spend hours play-acting. At one point, I was a ballet teacher dancing around my room.

Growing up, I spent a lot of time alone. My parents worked a lot or were away. I became a keen observer of human nature. I'd watch people talk and study their eyebrows and bodies. During my early teenage years, I wasn't super bouncy or lighthearted. Instead, I was pretty serious, as if the weight of the world was on me. For some reason, I felt a lot of responsibility for everyone I knew and how they felt. I became less serious as I got older.

I watched a lot of TV—sitcoms, adult variety shows and cartoons on the weekends, especially Bugs



ALL SMILES An 18-month-old Kyra Sedgwick in 1967 with her brother, Nikko, and their mother Patricia at a family home in New York's Westchester County.

Bunny, where I cultivated my humor. Every weekend, my dad took us to the movies. I saw films I probably shouldn't have seen at that age, such as "Taxi Driver," "The Exorcist" and anything with Robert Redford. At first, I watched those films for the story. But once I realized I loved acting, I began studying the techniques of film actors.

My first acting part came at age 12. I auditioned in school for "Fiddler on the Roof" and was given the part of Tzeitel. My world changed. I was excited about daily rehearsals and Tzeitel's complicated role. She had to feel joy and pain.

By the time I was in my teens, I

was a bit of a party girl and had fun. I'd play handball on nearby brownstone stoops until dark and hang out with my girlfriends in Central Park until 3 a.m. on the weekends.

My mother had a close friend from college, Philip Carlson, who was a manager. He used to come to our holiday parties each year, and we'd talk about acting, movies and plays, and actors we both admired. He sensed that I loved acting and that I wanted to become an actor. One day, when I was 16, he asked if I'd like to audition for a soap opera, just for fun. I told him I'd love that.

My mom let me go, since it was just for practice. But the soap, "Another World," kept calling me back. When they wanted to do a screen test, my mother set up all these outrageous parameters. I could only work three times a week, they'd have to pick me up and return me for lunch at school and so on. In other words, I'd have to work around a normal student's schedule. They agreed, and that's how I got my start.

Today, I live with my husband, actor Kevin Bacon, on the Upper West Side. It's a prewar building, but we renovated to knock down walls and open up the living space.

Our apartment is a warm, welcoming space. Having grown up in a museum, I wanted our home to feel comfortable and free from worry about staining or damaging furniture.

My father recently passed away. On my wedding day in 1988, he gave us a smooth, two-foot tall porcelain polar bear with its head looking up. It had a happy expression.

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MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

Petra Ecclestone Relists in L.A. for \$175 Million

British heiress and socialite Petra Ecclestone is relisting her sprawling Los Angeles mansion for \$175 million, a \$25 million discount from its original asking price.

Ms. Ecclestone had been taking a "wait and see" approach to selling when she first listed the home for \$200 million in 2016, according to the listing agents, Rick Hilton and David Kramer of Hilton & Hyland. Now, she is truly motivated to sell, Mr. Kramer said.

No single home in Los Angeles has ever sold for this much. The record price was \$110 million, set just in April by the sale of Hard Rock Cafe founder Peter Morton's home in nearby Malibu, Calif. Mr. Kramer said his client had received offers on the property when it originally listed, but none were satisfactory. One of the offers came from entertainers Beyoncé and Jay-Z, according to



two people familiar with the situation. Representatives for the couple didn't respond to requests for comment.

The property, known as the Spelling Manor, was built by late television producer Aaron Spelling around 1990. Ms. Ecclestone bought it from Mr. Spelling's widow, Candy Spelling, in 2011 for \$85 million and employed

more than 500 workers to completely renovate it.

The Holmby Hills estate totals roughly 56,000 square feet, making it one of the biggest private homes in Los Angeles. It sits on 5 acres with seven bedrooms, seven staff bedrooms, a two-lane bowling alley, a wine cellar and a beauty salon with a massage area and tanning rooms.

The street, Mapleton

Drive, is also home to the mansions owned by music mogul Sean Combs and Sean Parker, a founder of Napster, according to public records and people familiar with the street.

The daughter of Formula One billionaire Bernie Ecclestone, Ms. Ecclestone, 29, recently divorced from her husband James Stunt and has three children.



VANDERBILT MANSION PENTHOUSE ASKS \$30 MILLION

A penthouse comprising the top three floors of a townhouse where Gloria Vanderbilt spent her earliest days is listing for roughly \$30 million.

On East 72nd Street, the house dates back to roughly the turn of the century, records show. A partnership of developers, led by Magellan Development with Mink Development and B+B Capital, purchased the building for \$19 million in 2014, and spearheaded a renovation that turned it

into three condominiums.

The triplex penthouse spans approximately 5,700 square feet of interior space as well as roughly 1,522 square feet of terraces. There are four bedrooms, four full bathrooms, walnut floors, a media room and a private elevator.

The listing agent is Lauren Muss of Douglas Elliman.

▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com

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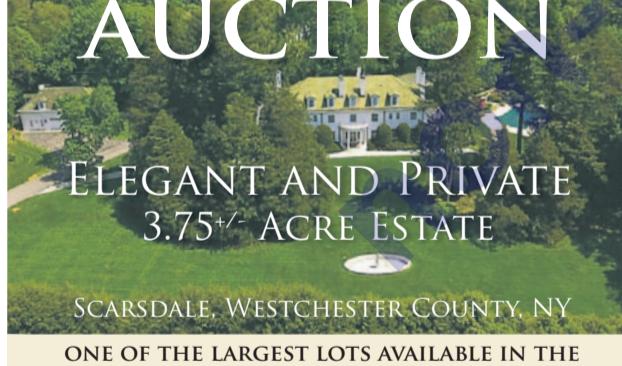
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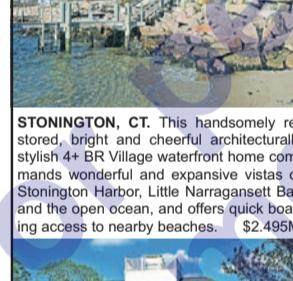


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MANSION

The Lowly Mailroom Becomes Luxurious

Continued from page M1
regulations that govern mailboxes are forcing real-estate developers to upsize these traditionally pedestrian spaces.

The solution? Turn the lowly mailroom into a luxury amenity that doubles as a place for residents to mingle.

The mailroom at Manhattan's Sky rental building, where rows of mailboxes are topped with gleaming bronze panels, served as the setting for a recent Haute Living Magazine photo shoot with Kristaps Porzingis, an NBA player and building resident.

At One Hudson Yards, a recently completed luxury rental building in Manhattan where one-bedrooms start at \$5,095 a month, the mailroom includes strips of backlit Brazilian quartzite and a high-gloss stone floor. A sorting table is carved from chocolate-brown marble streaked with white. The space helps justify the rent, says tech-entrepreneur Larry Adams, 42, who moved into One Hudson Yards with his wife and two children in April. "I feel like I'm getting every dollar's worth."

At Manhattan's 56 Leonard condominium, the mailroom walls are covered in lozenge-shaped black tiles. The gray-granite floor is intended to evoke the city sidewalk outside, says Mehmet Noyan of Herzog & de Meuron, the building's design consultant.

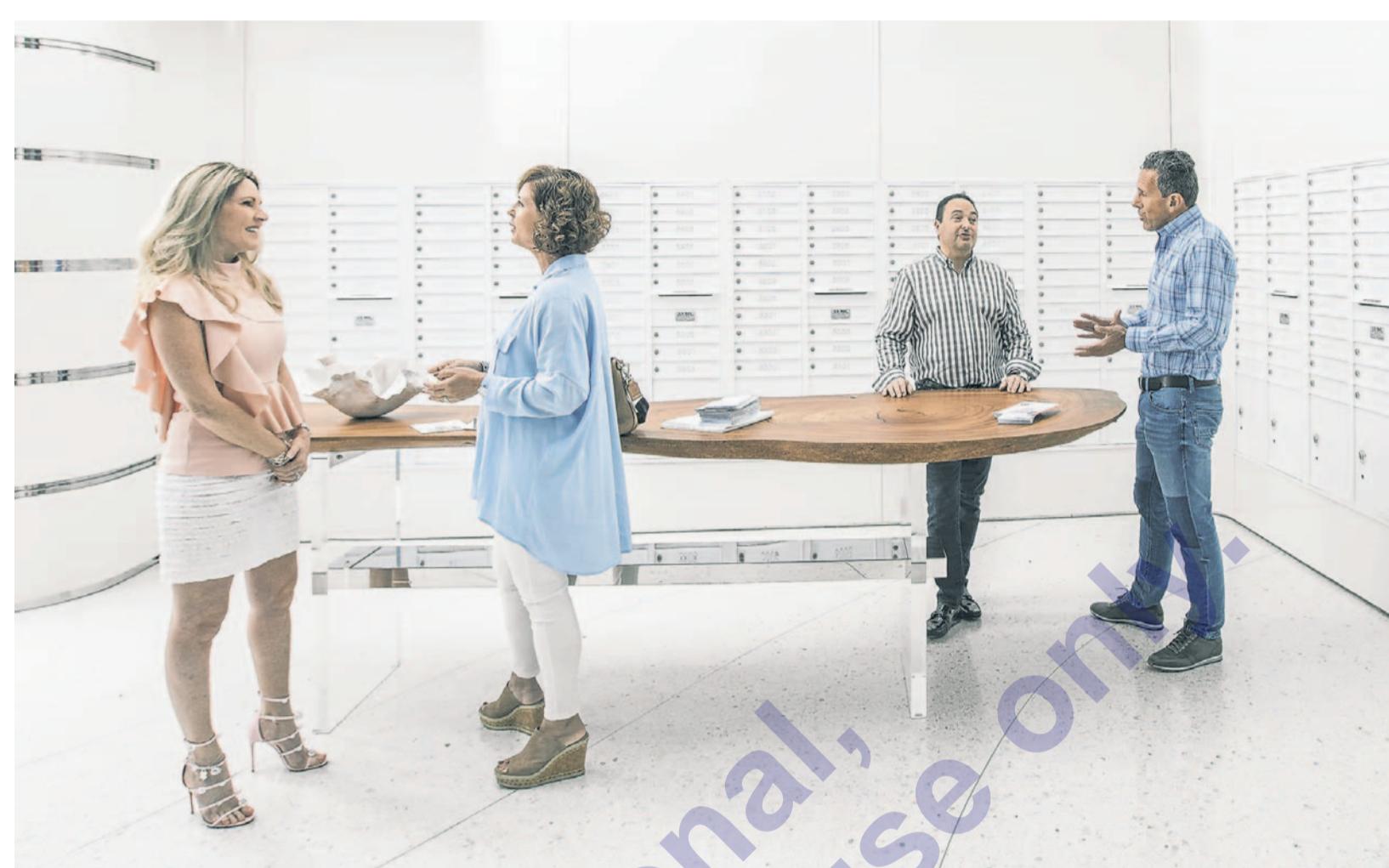
Transporting the large granite slabs into the mailroom required taking down a wall in the lobby, but Mr. Noyan noted that it lent the mailroom the right look. And at the Eugene, a project in New York City where monthly rents start at around \$3,700, the mailroom has terrazzo floors and mailboxes in a bold red, bronze and gray pattern.

Esther Cuan moved into the Abaca rental building in San Francisco with her boyfriend in March. There, the 29-year-old software engineer collected her mail in the fancier of the building's two mailrooms: a space with 20-foot-high ceilings, a polished concrete floor and walls decorated with wooden panels painted a vibrant indigo. Free-standing, blackened-steel cabinets hold the mailboxes themselves.

Above hangs the pièce de résistance: a custom-designed rope chandelier made from abaca, the fiber once used at the former factory site to make rope for nets and other uses. In a nod to the property's history, "we wanted it to look like almost a jumble of fishing nets," says Dani Gelfand of Studio O+A, which designed the space.

Ms. Cuan argues that a luxurious mailroom makes sense in the digital era, when the majority of postal mail tends to be unexciting, low-quality miscellany like catalogs and bills. While she's always excited to get packages, and doesn't mind using the automated package-retrieval system in the building's garage to get them, regular mail "requires a beautiful space to be a nice experience," she says. She and her boyfriend were disappointed when they decided to move to another apartment within the building, which required switching to the project's less-enticing mailroom.

As they lavish more money on mailrooms, some developers are aiming to make them gathering spaces as well. At Jade Signature, the Florida luxury development that also boasts a private spa for residents and a yoga terrace, the mailroom was intentionally designed to help residents strike up conversations, says Ana Cristina Defortuna of developer For-



MEET AND GREET Diane Legault, left in pink, and her husband, in a grey and white shirt, chat with neighbors in the mailroom of Jade Signature.



COME TOGETHER Maria Makres, right, checks her box in the lobby/mailroom of 1N4th in New York's Williamsburg neighborhood. She says the layout lends itself 'to people catching up.'



tune International Group.

At 1N4th, a rental building on the waterfront in

Brooklyn's Williamsburg neighborhood, mailboxes in free-standing wooden struc-



GLAMOUR SHOT The mailroom in Manhattan's Sky building, above, served as the setting for a recent photo shoot with Kristaps Porzingis, a pro basketball player and building resident; one of the resident mailrooms at the Abaca, a rental building in San Francisco, left.

tures are staggered throughout the lobby, a setup that "lends itself to people catching up," says resident Maria Makres, 44, who works in advertising sales. And at the Old Town development in Columbus, Ga., which has single-family homes and apartments, the architecture

and planning firm Historical Concepts created a mailroom with turquoise walls and a fire-engine red glass chandelier. A bench encourages "catching up with neighbors," says Historical Concepts' Andrew Cogar.

Perhaps it is inevitable that as mailrooms grow in

size and cost, some builders would want to get rid of them entirely. The Moinian Group, developer of Sky, is considering skipping mailrooms in some of its coming projects, says executive Jeanne McGuire. Instead, she says, staff will hand-deliver the mail to each unit.