

# THE WALL STREET JOURNAL.

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

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★★★★ \$4.00

DJIA 23957.89 ▼ 724.42 2.9% NASDAQ 7166.68 ▼ 2.4% STOXX 600 369.15 ▼ 1.5% 10-YR. TREAS. ▲ 19/32, yield 2.832% OIL \$64.30 ▼ \$0.87 GOLD \$1,326.60 ▲ \$5.90 EURO \$1.2304 YEN 105.28

## What's News

### Business & Finance

**T**he Dow tumbled 724.42 points, or 2.9%, to 23957.89, driven down by trade-war fears and concerns about tech companies, economic growth and interest rates. Treasury prices rallied. **A1, B11**

◆ **The top three U.S. banks** by assets added more than \$2.4 trillion in domestic deposits over the past 10 years, cementing their dominance. **A1**

◆ **AT&T traded** legal jabs with the Justice Department as the trial began over the telecom giant's planned purchase of Time Warner. **B1**

◆ **Zuckerberg said** Facebook's probe into handling of user data will help identify and deter bad actors but won't uncover all abuse. **B1, B4**

◆ **Uber's test operator** in the self-driving car that killed an Arizona woman was a felon with a history of traffic citations. **B1, B5**

◆ **Steve Wynn has sold** his entire stake in Wynn Resorts, the company said, the final step in his dramatic exit. **B1**

◆ **Dropbox priced** its IPO at \$21 a share, above the already increased range. **B11**

◆ **The Trump administration** has issued a policy change that could drive up prices of certain biologic drugs. **B1**

◆ **Pershing Square** cashed out of its Nike holding, making some \$100 million. **B3**

◆ **Credit-reporting firms** TransUnion, Equifax and Experian plan to delete tax liens from consumers' reports. **B3**

◆ **Best Buy plans** to stop selling phones in the U.S. made by China's Huawei. **B4**

### World-Wide

◆ **Trump launched** a trade offensive against China, including a threat of tariffs on \$60 billion of imports and tighter restrictions on acquisitions and technology transfers. China unveiled plans for tariffs against \$3 billion in U.S. imports. **A1**

◆ **The president formally approved** temporary exclusions from metal tariffs for six nations and the EU. **A2**

◆ **Officials are signaling** that they have cleared a road-block on thorny auto-industry issues in Nafta talks. **A18**

◆ **The president named** Bolton, a former U.S. ambassador to the U.N., as national security adviser to succeed McMaster. **A1**

◆ **The Senate passed** a \$1.3 trillion spending bill early Friday, acting to avert a government shutdown with less than 24 hours to spare. **A2**

◆ **Trump's lead lawyer** in the Russia investigation quit after the hiring of an attorney expected to take a more confrontational approach. **A4**

◆ **A U.S.-European rift** over parts of the Iran nuclear deal threatens to scuttle efforts to preserve the accord. **A7**

◆ **The CIA gave** some details about Trump's pick for director, who has spent her career in clandestine operations. **A4**

◆ **Strikes in France** shut schools and halted trains amid protests against Macron's economic overhauls. **A8**

◆ **The decision** to dismiss U.S. charges against most members of the Turkish leader's security detail over a Washington melee drew criticism. **A7**

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## U.S. NEWS

# Congress Passes \$1.3 Trillion Spending Bill

**Approval in Senate averts government shutdown; Trump expected to sign**

By KRISTINA PETERSON AND SIOBHAN HUGHES

**WASHINGTON**—The Senate passed a \$1.3 trillion spending bill early Friday, acting to avert a government shutdown with less than 24 hours to spare and bringing to a close a messy negotiating process over the sprawling measure.

The bill, which now goes to President Donald Trump for his signature, would lift military spending by \$80 billion this year and domestic programs by \$63 billion, a decision lauded by defense hawks and criticized by lawmakers

frustrated by its impact on the deficit. White House officials said Thursday that Mr. Trump would sign it.

The Senate vote was 65-32 and followed House passage on Thursday. There were 24 Republican senators who voted against the legislation, led by Sen. Rand Paul (R., Ky.), who complained about voting just a day after the release of the 2,232-page measure.

Senate Majority Leader Mitch McConnell (R., Ky.) depicted the bill as “legislation that neither side sees as perfect, but which contains a host of significant victories and important achievements on behalf of the American people.” Among them, he said, are a 15% increase in military spending and funding to combat an opioid epidemic as well as a down payment toward Mr.

Trump’s border wall.

The bill, which was unveiled Wednesday evening, is the first installation of the two-year agreement reached last month between congressional leaders and Mr. Trump to lift federal spending above curbs set in 2011.

The Senate vote was delayed Thursday by objections from Mr. Paul, but also one from Sen. Jim Risch (R., Idaho), who was upset that the measure included language to name an Idaho forest after one of his nemeses, Cecil Andrus, a former Democratic Idaho governor and Carter administration Interior secretary. Mr. Andrus died last year.

Mr. Risch, who is in line to be the next chairman of the Senate Foreign Relations Committee, insisted on holding up the bill so long as it included

the forest-naming language, infuriating fellow senators. Mr. Risch had battled with Mr. Andrus, who once called Mr. Risch “one of the most partisan people I’ve ever had to deal with.”

Mr. McConnell took to the floor to pass a measure as a technical correction that passed without a roll call vote. But the House bill still included the language, so it was unclear how that would be resolved. Mr. McConnell and other senators pressed Mr. Risch to yield, escorting him off the Senate floor to work through the matter privately. A spokesperson for Mr. Risch didn’t reply to a request for comment, and Mr. Risch didn’t respond to reporters.

The repeated delays left senators tired and angry.

The bill includes \$1.57 billion for construction of physi-

cal barriers on the border with Mexico and other security measures.

Conservatives had said the bill spent too little money on the border wall and too much on other policy items.

House Speaker Paul Ryan (R., Wis.), who met with Mr. Trump yesterday to discuss the bill, defended the bill’s border security funding.

“This actually has more wall funding, and more wall allotment than the administration’s request had,” Mr. Ryan said. “We’re going to be getting a down payment and starting on the border security.”

The bill passed the House with the support of 145 Republicans and 111 Democrats. It was opposed by 90 Republicans and 77 Democrats.

—Natalie Andrews contributed to this article.



Speaker Ryan praised the bill’s spending on border security.

## TRADE

**Continued from Page One** companies operating in China through unfair licensing deals and other improper practices.

“It’s out of control,” said Mr. Trump, adding that past efforts to negotiate with China had failed and that the World Trade Organization was a “disaster” and “very unfair” to the U.S. Mr. Trump sees confrontation as the way to get results, feeling that past administrations haven’t been tough enough, senior White House officials said.

The White House is putting together a package of 25% tariffs on Chinese imports, and Mr. Trump’s advisers said they had targeted 1,300 product categories. The president said that action could affect imports of “about \$60 billion,” but his advisers, speaking earlier, said that it was more likely to be \$50 billion, or roughly 10% of the more than \$500 billion the U.S. imported from China last year.

The administration says it will publish a formal list of proposed tariffs in 15 days. U.S. industry would get 30 days to comment on which products should be selected for tariffs, said the office of the U.S. Trade Representative. The goal, according to USTR officials, is to keep the pressure on China to make changes in its practices, while giving U.S. industry a chance to make its case about which tariffs would be especially harmful to U.S. industry.

Mr. Trump has said he wants Beijing to come up with a plan to slash the U.S. \$375 billion merchandise trade deficit with China by \$100 billion.

Many trade economists say changing trade policies won’t have much of an impact. Rather, trade deficits are controlled by macroeconomic measures, such as changing national spending and saving patterns.

The White House’s actions did win praise from some Democrats who rarely line up with



CHINATOPIX/ASSOCIATED PRESS

Chinese steel already faces U.S. tariffs. New White House policies would add actions against China.

### Allies Receive Tariff Exemptions

**WASHINGTON**—President Donald Trump formally approved temporary exclusions from steel and aluminum tariffs until May 1 for six nations and the European Union.

Tariffs of 25% on steel imports and 10% on aluminum imports go into effect Friday for nations not covered by exclusions. The president late Thursday suspended tariffs for Ar-

gentina, Australia, Brazil, Canada, Mexico, European Union nations and South Korea.

Effectively, that means tariffs will apply to three major steel exporters: China, Russia and Japan.

Political leaders had been furiously lobbying for exclusions before the Friday deadline. The U.S. initially granted them to Mexico and Canada as part of negotiations to revamp the North American Free Trade Agreement. The U.S. is now conducting talks on steel and aluminum tariffs with other nations.

The exclusions granted are

temporary. According to a White House statement, the administration will decide whether to extend the exemptions based on how negotiations are progressing.

“These suspensions are based on factors including ongoing discussions regarding measures to reduce global excess capacity in steel and aluminum production by addressing its root causes,” it said.

The U.S. has been widely criticized for proposing to levy tariffs globally when trade experts blame Beijing for a glut of

metal production that has led to an export surge. But nearly all of Beijing’s exports of steel and aluminum to the U.S. are already covered by different forms of import restrictions.

It isn’t clear what the various countries are pledging to do to avoid tariffs. The EU, for instance, has said it wanted to join the U.S. in addressing Chinese overcapacity. It won a temporary exclusion. But Japan has pledged the same thing and tariffs go into effect on Japanese exports.

—Bob Davis

the president. “I don’t agree with President Trump on a whole lot, but today I want to give him a big pat on the back,” said Senate Minority Leader Chuck Schumer (D., N.Y.).

The aim of the administration’s steel and aluminum tariffs was to get allies to pressure China to reduce its excess capacity—and exports—in those commodities. Those tariffs, though, have split the U.S. and its allies and made Washington the target of criticism, rather than Beijing.

The Trump administration

is “now trying to form a common front in the dispute against China,” said Eswar Prasad, a China expert at Cornell University.

Chinese officials complain that the U.S. has suspended formal trade talks and hasn’t given them a clear idea of what the U.S. wants Beijing to do. “We don’t want a trade war,” said Chinese Ambassador to the U.S. Cui Tiankai. “But we are not afraid of it. If somebody tries to impose a trade war on us, we will certainly fight back and retaliate.”

Beijing contends that it has improved its protection of intellectual property and that it is moving fast to further liberalize its economy. It also is putting together an additional package of retaliatory measures against the latest U.S. tariffs that include its own tariffs on soy, sorghum and live hogs—some of which are exported from states that were big supporters of Mr. Trump in the 2016 presidential election.

Chinese officials have also said that if the U.S. wants to

narrow the trade deficit, it should ease restrictions on exports of U.S. high-technology goods to China—precisely the opposite of what the U.S. is planning to do.

The scope and substance of the Chinese imports that will be targeted by the tariffs has been a moving target. A White House official said that the harm to the U.S. from forced technology transfer, once estimated at \$30 billion, had been updated to \$48 billion.

It’s \$50 billion and may be as high as \$60 billion once

[the U.S. Trade Representative] completes the process,” a White House official said.

U.S. Trade Representative Robert Lighthizer said Thursday in Senate hearings that the tariffs would probably target high-technology industries that China has singled out for development.

Yet the target list raises several difficult questions, critics said. For one, many in the U.S. technology industry worry they will face higher costs through tariffs, and even face retaliation against their companies doing business in China.

Tariffs on communications products, “would make it more expensive to expand and upgrade American communication networks,” said Cinnamon Rogers, a senior vice president of the Telecommunications Industry Association.

The tariffs also would be levied without first bringing a case to the WTO, which adjudicates trade claims. Trade lawyers are split on whether the U.S. has the authority to do so. But even if it is permitted under WTO rules, it would upset the practice of bringing disputes first to the Geneva trade body.

The U.S. also is planning to bring a case to the WTO arguing that China is favoring domestic companies when it comes to licensing. The WTO adjudicates trade cases and can authorize countries to assess tariffs when a country doesn’t comply with international trade rules.

China has been a big target for cases brought by the U.S., Japan and the European Union, and the U.S. hopes to sign up allies for its planned WTO action.

Mr. Trump gave the U.S. Treasury 60 days to come up with a specific plan to restrict Chinese investment. The U.S. already has made it tough for Chinese firms to invest in the U.S., blocking the purchase of a number of U.S. semiconductor firms.

—William Mauldin and Rebecca Ballhaus contributed to this article.

## STOCKS

**Continued from Page One** Chinese imports on top of duties on steel and aluminum imports, provoking the ire of officials from China to Germany to Mexico.

The stock selloff continued early Friday in Asia with Japan’s Nikkei down 3.7% and Hong Kong’s Hang Seng Index and the Shanghai Composite each down about 3%.

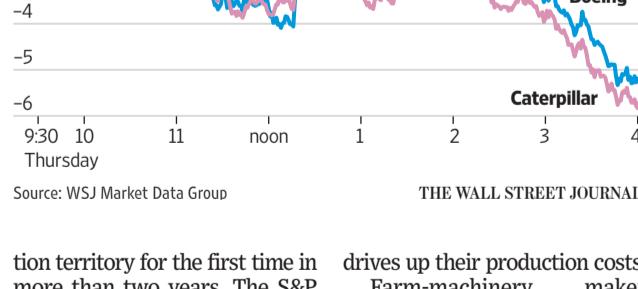
Investors had widely brushed off concerns about trade and rising interest rates until earlier this year. But signs that interest rates will rise more quickly than expected, along with the Trump administration’s aggressive push to narrow the U.S. trade deficit, drove a resurgence in volatility and renewed worries among investors that the nine-year bull market is losing its momentum.

“The stakes are getting higher and larger, and that’s what the market is thinking about,” said Ken Taubes, chief investment officer—U.S. investment management at Amundi Pioneer. Investors are concerned that China will retaliate, leading to “tit for tat” escalations of policies hindering trade and leading to slower growth, he said.

The Dow industrials gave up 724.42 points, or 2.9%, to 23,957.89, posting their biggest one-day percentage decline since Feb. 8, when they fell into corre-

### Trade Trepidation

Shares of Boeing and Caterpillar slumped along with other manufacturers, pulling the Dow industrials lower.



drives up their production costs. Farm-machinery maker Deere & Co. shed \$6.47, or 4.1%, to \$151.58, while airplane giant Boeing fell \$17.49, or 5.2%, to \$319.61, and heavy-machinery maker Caterpillar shed \$8.90, or 5.7%, to \$146.90.

Investors still widely agree that the global economy looks robust. Yet many worry that growth could stall if the White House’s trade measures lead to retaliatory moves by other countries, crimping the global trade recovery that has helped power the world’s economic rebound.

Among the stocks taking the biggest hit Thursday: manufacturers, whose profits could slide if the White House’s plan to impose 25% tariffs on steel imports and 10% on aluminum imports

States Steel sliding \$4.26, or 11%, to \$34.50.

As stocks across the board fell, investors sought the safety of assets like gold, the Japanese yen and U.S. Treasury bonds.

Utilities stocks in the S&P 500, thought of as bondlike because of their relatively hefty dividend payouts, added 0.4% and were the only sector in the broad index to finish the day higher.

Gold for March delivery gained \$.59, or 0.45%, to \$1,326.60 a troy ounce, while the benchmark U.S. 10-year Treasury note fell to 2.832% from 2.901% Wednesday—it’s biggest one-day decline in more than six months. Bond prices rise as yields fall.

The slide in bond yields weighed on shares of banks, whose lending margins rise with interest rates. The KBW Nasdaq Bank Index of large U.S. lenders slid 4.1%, posting its biggest one-day drop since stocks fell into correction territory Feb. 8.

While industrial conglomerates and other “old economy” stocks struggled, some of last year’s best-performing tech shares came under pressure.

Facebook, whose shares have skidded since the company said a third-party firm had improperly kept its users’ data, declined \$.45, or 2.7%, to \$164.89, bringing its losses over the past four days to 11%. Fears that the backlash could push regulators to tighten rules for social-media

companies sent other technology shares lower, with Twitter and Google parent Alphabet losing more than 3% apiece.

Tech stocks were a major contributor to the indexes’ record-setting year in 2017. Many investors worry that their stumble will exacerbate the recent swings in the stock market.

The tech sector’s valuation relative to the broader market has climbed to its highest since late 2009, according to Bank of America Merrill Lynch, which leaves it exposed to any slowdown in expected earnings or disappointing news.

“Any time you sold any of the FANG stocks, you’ve been penalized for doing it,” said John Creswell, executive managing director at Duff & Phelps Investment Management, referring to shares

### CORRECTIONS & AMPLIFICATIONS

**Tony Romo** has a posted golf handicap of +0.3. In a Sports article Thursday about the former Dallas Cowboys quarterback’s exemption to play in a PGA Tour event, his handicap was given as 0.3, which in golf means 0.3 worse than zero.

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

of Facebook, Amazon.com, Netflix and Alphabet, which are commonly known by that acronym. “But this could be the first time you see jitters.”

—Daniel Kruger contributed to this article.

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## U.S. NEWS

# Newtown Teens Find a New Voice

By JOSEPH DE AVILA

It took the Parkland shooting for Newtown students to get jolted into action.

The students from Marjory Stoneman Douglas High School in Parkland, Fla., where a gunman killed 17 people in February, have inspired young people across the U.S. with their social-media-savvy activism. Their work has particularly resonated in Newtown, Conn., a community overshadowed by a similar tragedy.

Jackson Mittleman was in sixth grade in 2012, when a gunman opened fire at an elementary school in his quiet suburban Connecticut town, killing 26 students and adults, including one of his friends. He is one of many Newtown children who were in elementary and middle school during the Sandy Hook Elementary School shooting and are now coming of age and joining the wave of young people across the U.S. calling for stronger gun laws.

Jr. Newtown Action Alliance, along with its parent organization, the Newtown Action Alliance, has rented eight buses to transport 350 people, including up to 250 students, to Washington, D.C., for Saturday's March for Our Lives.

The group is pushing for mandatory background checks for all firearms purchases, a federal ban on assault-style weapons and raising the age to purchase any gun to 21.

"In the past, we struggled to get kids that were interested," said Mr. Mittleman, a high-school junior and co-chairman of the group. "Now



Newtown students are joining protests for stronger gun laws.

there is a room full of kids."

Mr. Mittleman said the student group had only a handful of members at Newtown High School at the beginning of 2018, but has grown to about 100 since the Parkland shooting.

"It especially hit home with Newtown," said Ron Pinciaro, former executive director of Connecticut Against Gun Violence, an advocacy group that lobbies for stronger gun laws. "When they felt that their whole generation now understood something to the effect

of what they had felt, it really galvanized them."

The Sandy Hook shooting had a profound impact on the lives of young people who grew up in the tightknit community. Jenny Wadhwa, a junior at Newtown High who was 11 at the time of the shooting, said the tragedy transformed her perception of the world.

"It was the first time in my entire life that I realized that I had something to be afraid of," she said. "After kids were shot right down the road, that

## Court Signals Shift On Student Safety

The California Supreme Court ruled Thursday that the University of California can be held liable for failing to protect a student from an attack by a classmate.

The decision, which comes as school shootings have become more regular occurrences across the nation, represents a potential signal that courts expect schools to be increasingly proactive to protect their students.

The court ruled that a former University of California, Los Angeles, student who was stabbed by a schizophrenic classmate in 2009 should be able to sue the school for failing to protect her. The decision overturns a ruling by a lower court in 2015 that UCLA had no duty to protect the student.

—Douglas Belkin

completely changes a person."

Tommy Murray, a Newtown High junior, said the Sandy Hook shooting motivated him to join Jr. Newtown Action Alliance in his first year of high school. His mother, Po Murray, is also the co-founder of the Newtown Action Alliance.

Mr. Murray said he is frustrated by the federal government's inaction on gun laws. "Nothing has been changed at all," he said. "That has just gotten people angry. It's gotten more students motivated to make a change."

# Las Vegas Gunman Video Clip Released

By ZUSHA ELINSON

times gambling, eating at a restaurant on the casino floor, and bringing in luggage. Almost everything shown in the footage has been described publicly by investigators.

Debra DeShong, spokeswoman for MGM Resorts, said the footage shows that Paddock gave no indication of what he planned to do and his interactions with staff and overall behavior were all normal."

Michelle Tuegel, an attorney representing survivors and families of the deceased, said on Thursday MGM should have been tipped off by Paddock's behavior. Ms. Tuegel, who along with other attorneys is planning to refile lawsuits against MGM, said the number of bags that were weighted down with guns, ammunition and tools, as well as other clues should have raised red flags at Mandalay Bay.

"They had employees who were handling these unusually heavy bags over and over and over," said Ms. Tuegel. "I don't think that's normal in Vegas, I don't think that's normal anywhere."

Paddock checked into the Mandalay Bay on Sept. 25.

# San Francisco's Boom Leads to an Exodus

By NOUR MALAS  
AND PAUL OVERBERG

San Francisco is such a boomtown that people are leaving in droves.

In 2016 and 2017, more people moved out of the San Francisco-Oakland-Hayward metropolitan area—an urban core of 4.7 million people in a broader region known as the Bay Area—than moved into it from other parts of California or the U.S., according to U.S. census data.

In the year that ended July 1, the region showed a net loss of nearly 24,000 residents to the rest of the country, roughly double the loss of the previous year and a sharp reversal from net annual gains of about 15,000 as recently as 2013-14.

Economists said the outflow is being driven by the high cost of housing in the area, where the average home value in several counties surpasses \$1 million. Thanks to immigration and more births than deaths, the overall population



The Bay Area has a thriving economy but also high housing costs.

still grew 0.6% last year, but that was less than the national rate of 0.7%.

The ripple effect of explosive growth is a familiar theme in Northern California, where the rise of the world's tech capital, Silicon Valley, reshaped a vast region.

But despite a continued technology boom, the sudden outflow of people is raising questions about the sustainability of growth there. It illustrates how people on the margins of the tech industry are

squeezed out—particularly senior citizens, workers in lower-wage jobs in other sectors, and young families looking for a less expensive start.

"The two things can happen simultaneously: A strong, thriving, innovative economy, and a housing crisis that pushes people at the margin, either to keep their jobs but move outside or move away entirely," said Stephen Levy, director of the Center for Continuing Study of the California Economy in Palo Alto.

The broader Bay Area is the most robust metro region in the nation in terms of payroll job growth, according to the most recent regional analysis from the University of California-Los Angeles Anderson Forecast, an economic forecaster.

Research and development spending in Silicon Valley grew more between 2014 and 2016 than similar spending in other tech hubs, including Seattle and Austin, Texas, according to the Silicon Valley Competitiveness and Innovation Project.

At the same time, the cost of living has surged, led by home prices and rents. Restrictive home-building rules in California held back new supply even as the population swelled.

"In some ways, given house prices, it's surprising how long the party has continued," said Brian Brennan, a senior vice president at the Silicon Valley Leadership Group, a public policy advocacy group that led the report on competitiveness.

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## U.S. NEWS

# Top Trump Lawyer in Russia Probe Quits

BY PETER NICHOLAS  
AND REBECCA BALLHAUS

John Dowd, the lead lawyer representing President Donald Trump in the special counsel's Russia investigation, left the legal team on Thursday partly because of the hiring of a new attorney who is expected to take a more confrontational approach, two people close to the team said.

Mr. Dowd's resignation stunned some of Mr. Trump's advisers, who weren't expecting him to depart at a phase of the investigation that involves sensitive dealings with special counsel Robert Mueller.

Mr. Dowd has been a central player in negotiating terms of a possible interview between the Republican president and Mr. Mueller, whose probe includes whether Mr. Trump obstructed justice in firing James Comey as Federal Bureau of Investigation director to try to stop the Russia probe.

Mr. Trump has denied obstructing justice. The negotiations over an interview have recently entered more-advanced stages, according to a person close to the legal team.

Mr. Dowd told the president of his move Thursday morning. "He was very gracious. I love the guy," Mr. Dowd told The Wall Street Journal. "I really wish him well and I think he's got an excellent case."

Mr. Dowd declined to give his reasons for stepping down. One person familiar with the legal team's thinking said Mr. Dowd felt blindsided by the announcement Monday that Mr. Trump



BRENDAN McDERMID/REUTERS

**John Dowd declined to say why he is leaving President Donald Trump's legal team. 'He was very gracious. I love the guy,' Mr. Dowd said.**

was expanding the roster of attorneys to include Joseph diGenova, a former U.S. attorney who has said that federal agents have sought to frame Mr. Trump for partisan political purposes.

Another person close to the legal team said the addition of Mr. diGenova was one of several reasons for Mr. Dowd's departure. In his new role, Mr. diGenova was expected to work with Mr. Dowd as his equal, according to a person close to the legal team.

Mr. Dowd said Thursday he

wasn't leaving because of Mr. diGenova's hiring. "That's his [the president's] call," he said.

Asked his views on joining Mr. Trump's legal team, Mr. diGenova said it was "wonderful" to be part of it.

Inside the Trump team, Mr.

Dowd argued against an interview with Mr. Mueller, a person familiar with the matter said. That put him at odds with some other legal advisers who believed that under certain conditions, Mr. Trump could give an interview with-

out exposing himself to unnecessary risks or legal jeopardy.

Mr. Trump has appeared more receptive to the idea of testifying. When asked Thursday if he was open to speaking to Mr. Mueller, Mr. Trump said: "Yes, I would like to."

Mr. Trump has previously said he would be willing to take part in such an interview, but noted the decision would be up to his lawyers.

Legal experts said it is unusual for an attorney who figures so prominently in a case

to step aside in the thick of an investigation.

"Whatever is going on behind the scenes, it must be pretty chaotic—and this will make it more chaotic," said Peter Hardy, a former federal prosecutor and a white-collar defense lawyer.

Apart from the obstruction inquiry, Mr. Mueller is investigating whether Mr. Trump's associates colluded with Russia's alleged effort to interfere in the 2016 U.S. election. Mr. Trump has denied collusion, and Moscow has denied med-

dling in the election.

With Mr. Dowd's departure, Mr. Trump's legal team faces more pressure to hire new lawyers—a step people familiar with the team's thinking said is necessary to help work through the constitutional, practical and legal considerations involving the president's possible testimony.

One difficulty in finding attorneys to join the team is that many law firms in Washington represent other clients involved in the Russia probe.

—Byron Tau

## House Panel Adopts Republican Report

WASHINGTON—The House Intelligence Committee adopted on Thursday a Republican-written report into Russia's alleged activity in the 2016 presidential election, bringing to an end an investigation that inflamed partisan tensions on Capitol Hill.

The report concluded Russia orchestrated a campaign "to sow social discord and to undermine the U.S. electoral process." It said the panel found no evidence Russia tried to boost Donald Trump's chances of winning the election, nor could it find anything compromising in the president's business background.

Democrats, who plan to release a dissenting report, said Congress had failed to probe a serious offense against the U.S. democratic process.

—Byron Tau

## CIA Sheds Some Light on Nominee

BY NANCY A. YOUSSEF

As President Donald Trump's nominee for one of the highest profile security posts in the world—Central Intelligence Agency director—Gina Haspel keeps a lower profile than almost anyone in the U.S.

After a career as a CIA clandestine officer, little, if anything, was known about Ms. Haspel's private or public life.

Her hometown, family background, education, marital status, interests and other details have remained shrouded in mystery. Until last year, when she was named deputy director of the agency, her name wasn't publicly known.

On Thursday, however, the CIA began to release personal information about Ms. Haspel to Capitol Hill, where she has been meeting with legislators ahead of her coming confirmation hearing.

If confirmed, Ms. Haspel, 61 years old, would be the second person to become director after spending an entire career in clandestine operations. The

first was Richard Helms, who served as the fifth director of Central Intelligence, from 1966 to 1973.

Forty-five years later, Ms. Haspel is attempting to move into an unusually public role—the first woman to head the CIA—while the agency strives to continue protecting elements of her decadeslong furtive career.

She became a spy before the internet age and remained in that secret life for three decades, leaving behind no digital profile. She isn't on any social-media page, LinkedIn, high-school or college alumni linkup group or even sites such as ancestry.com. She has no record of public speeches, writing or congressional testimony.

So it falls to the agency to share something about her and her interests. According to the CIA, she is a Johnny Cash fan and has a full-size cutout of the music icon in her office. She is single.

The CIA said she is a native of Ashland, Ky., the oldest of

five children, and the daughter of an airman who raised her all around the world as he served at various bases. She graduated from high school in the U.K., the agency said, without naming which city.

Ms. Haspel wanted to attend the U.S. Military Academy at West Point, but her father told her girls weren't welcome at the time, according to the agency. Instead, she graduated with honors from the University

of Louisville with a degree in languages and journalism, according to the agency biography.

Upon leaving college, she traveled to Massachusetts to work as a contractor for the U.S. Army's 10th Special Forces Group, which was then based there, working in the library and foreign language lab.

There, she ran into a young officer named Michael Vickers, who would eventually become the undersecretary of defense for intelligence, and he encouraged her to apply to the CIA, according to an agency biography.

When she heard that women could work there and even go into clandestine services overseas, she applied and was accepted, according to the agency.

Senators of both parties said they would seek answers about her through her confirmation hearing.

—Jim Oberman

and Siobhan Hughes contributed to this article.



CIA/ASSOCIATED PRESS

## Democrat Urges Votes On Ambassador Picks

BY GERALD F. SEIB

South Africa, Germany, obviously—where we do not have an ambassador," he said.

Democrats, as well as some Republicans, have been blocking votes on a series of Trump administration appointees, sometimes to acquire leverage over the White House in policy disputes and sometimes for reasons that aren't clear.

President Donald Trump has begun complaining more frequently about the holdups.

In some cases, though, the absence of ambassadors and other top State Department officials is the result of the administration's own problems in proposing candidates.

For example, the nominee for assistant secretary of state for Asian affairs, Susan Thornton, was delayed because of a disagreement between the State Department and White House. And the leading candidate to be ambassador to South Korea, Victor Cha, withdrew in an apparent disagreement over North Korea.

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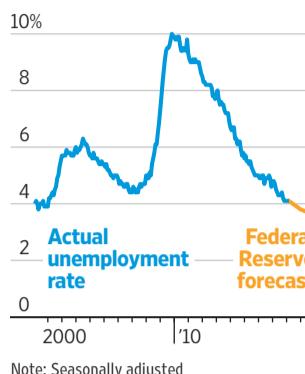
## U.S. NEWS

# Fed Tackles Mission Improbable on Jobs

By GREG IP

**Lower Target**

The Federal Reserve projects the unemployment rate will drop to 3.6% by the fourth quarter of 2019.



Note: Seasonally adjusted  
Source: Labor Department, Federal Reserve

THE WALL STREET JOURNAL.

The Federal Reserve is attempting in the next few years something it has never accomplished before: guiding unemployment up without causing a recession. It faces high odds of failure—and few alternative paths.

**ANALYSIS** Massive tax cuts, robust federal spending and a synchronized global upswing are expected to push annual growth in economic output to 2.7% this year and 2.5% next—past what Fed officials consider its long-run sustainable rate of 1.8%—according to projections Fed officials released after their meeting Wednesday.

To sustain such growth, the

Fed projects employers will have to dig deep into a diminishing supply of workers. That will cause unemployment, already at a 17-year low of 4.1%, to sink to 3.6% by the fourth quarter of 2019, a level last seen in the 1960s. That's well below the "natural rate" of 4.5%, which is the rate Fed officials and many economists think the economy can sustain without eventually producing inflation.

For now, that's to be welcomed, as inflation has for several years now been below the Fed's 2% target. An overheating labor market will help push it back to 2%, or even slightly above that level, according to Fed projections.

But it faces a problem: In

theory, unemployment will eventually have to go back to 4.5%, or inflation will head even higher. Yet since records began in 1948, unemployment has never risen by 0.9 point, except in a recession.

Of course, this is not the Fed's plan. Chairman Jerome Powell intends to gradually raise interest rates so that growth and unemployment return to their long-run sustainable levels and inflation reaches the Fed's target.

At a press conference on Wednesday, Mr. Powell played down the significance of the Fed's longer-term projections, saying they reflect a range of disparate views.

His comments suggest he is more open than some to the

idea that unemployment can stay lower than in the past. And he noted that the link between unemployment and inflation has weakened.

"We will know the labor market is getting tight when we do see a more meaningful upward move in wages," he said.

Yet allowing for the uncertainty around the future and the natural unemployment rate, the Fed faces long odds. Even the most optimistic Fed official thinks the natural rate of unemployment is still 4.2%.

It's true that in the past the Fed has achieved "soft landings"—a rise in rates that slows the economy without a recession. But this has never required actually raising un-

employment.

It may seem absurd that the Fed could trigger a recession by raising its short-term rate target, now between 1.5% and 1.75%, to just above 3%. But recessions aren't caused simply by higher interest rates, but by a complex series of events: Higher rates cause asset prices to fall, credit to tighten and businesses and households to become more risk-averse.

Both the 2001 and 2007-09 recessions were driven more by collapsing asset prices than by higher interest rates. By some measures asset prices are even higher now. Fear is more powerful than greed, so just as markets fall faster than they rise, unemployment rises faster than it falls.

## BOLTON

Continued from Page One

his chief of staff, according to administration officials. The president had sought a more graceful exit for his national security adviser than the one he afforded his secretary of state, whom he fired via a tweet last week.

In recent weeks, Mr. Trump began discussing potential successors for Gen. McMaster, according to former Trump administration officials. Mr. Trump met last week with Mr. Bolton, and met with him again on Thursday.

In a statement, Mr. Trump thanked Gen. McMaster for his service. "He helped develop our America First National Security Strategy, revitalize our alliances in the Middle East, smash ISIS, bring North Korea to the table, and strengthen our nation's prosperity," he said.

Gen. McMaster said Thursday in a statement that he was "requesting retirement from the U.S. Army effective this summer after which I will leave public service." He said he was "thankful" to the president and proud to have served in the job.

The announcement, coming so soon after the firing of Sec-



Lt. Gen. H.R. McMaster will step down as President Donald Trump's national security adviser.

## Bolton Urged Tough Stance on Russia

In picking John Bolton as national security adviser, President Donald Trump appears to have found a longtime Washington hand who is in step with his views on major national-security issues.

But Mr. Bolton's foreign-policy record could put him at odds with his new boss on certain issues, namely how best to deal with Russia and the wisdom of the 2003 U.S. invasion of Iraq.

During the George W. Bush administration, Mr. Bolton, then undersecretary of state for arms control, staunchly supported the invasion of Iraq, championing the now-discredited view that Saddam Hussein's regime had weapons of

mass destruction. Mr. Trump has denounced the invasion as a mistake.

The other area of potential disagreement is how to approach Russia. Mr. Trump has said he wants to improve relations and ease tensions between the two countries.

Mr. Bolton has been deeply mistrustful of Russia. In February, during a conference in Munich, Mr. Bolton said the indictment of 13 Russians by a federal grand jury for election meddling offered Mr. Trump an opportunity to toughen his approach to Russia. "This is a potential pivot point for Trump," Mr. Bolton said.

On Thursday, during a Fox News interview, Mr. Bolton declined to say how he would advise Mr. Trump on the administration's relations with Russian President Vladimir Putin.

—Nancy A. Youssef

excellent choice."

Democrats and some Republicans have previously suggested that if Mr. Bolton were nominated for roles at the State Department, they would oppose him, citing his foreign-policy views.

Mr. Bolton left his U.N. post

after he failed to gain support in Congress to be confirmed in 2006. Mr. Bush had originally used a recess appointment to put him in the role after his nomination had been blocked by a Democratic filibuster.

—Peter Nicholas contributed to this article.

## Thigh Noon: The Fight to Be Oprah's Fried Chicken

Two restaurants battle over her endorsement; 'pretty darn good'

By CHRIS KORNELIS

SEATTLE—Inside Ezell's Famous Chicken in Seattle's Central District neighborhood, there is the unmistakable smell of fried breading, and an endorsement from Oprah Winfrey.

"Ezell's, I don't know what I like more, the chicken or the sweet potato pie!" Ms. Winfrey wrote on a framed photograph of herself displayed next to the cash register. "Thank you. It was something special."

Missing from Ezell's: Ezell.

Ezell Stephens, the co-founder of Ezell's, left after a falling out with partners who started the business with him, and opened his own chain of competing chicken restaurants.

Nearly 30 years after her review, Ms. Winfrey's bite of fried chicken has launched a drumstick war separating Seattle into fowl factions.

"Their chicken is called Ezell's," said Mr. Stephens. "It's not Ezell's. Hell, it was only Ezell's when Ezell was there."

Mr. Stephens' restaurant, Heaven Sent Fried Chicken, declares itself "Oprah's Favorite Fried Chicken" on its website.

Not so fast, says Lewis Rudd, president of Ezell's Famous Chicken. He says Ezell's uses the same recipes today as it did when it won raves from Ms. Winfrey.

Mr. Rudd said that he delivered chicken to Ms. Winfrey on multiple occasions, and met her in Chicago in 1990. He wouldn't comment on Mr. Stephens' split with the company.

Ms. Winfrey said she still remembers her meals after all these years. "That was some pretty darn good chicken and I'd love to see a runoff between them (Heaven Sent, Ezell's) and Art Smith," she said in a statement, referring to her former personal chef, "who has been making peace around the world with his fried chicken."

Seattle residents host impromptu taste tests and pick favorites—by dish. Some prefer Heaven Sent chicken, but Ezell rolls.

"If they sided with Ezell's



Ezell Stephens of Heaven Sent Fried Chicken.

Famous Chicken, the taster could present themselves as loyalists and patriots," wrote reviewer Hanna Raskin in Seattle Weekly. "But aligning themselves with the bird from Heaven Sent...would make them certifiable fans of the underdog—and, perhaps, discerning connoisseurs of chicken genius."

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"If they sided with Ezell's

Ezell's Famous Chicken has grown to 13 locations, not including food trucks. Heaven Sent has three locations.

To this day, both companies continue to celebrate the decades-old endorsement from Ms. Winfrey.

Mr. Stephens points out he's the person who cooked for Ms. Winfrey on her birthday in 1990, a fact he's traded on heavily since he founded Heaven Sent. Says Mr. Stephens, "When you say Oprah liked it, I mean, what else you need to know? She can have anything she wants."

Waiting to pick up an order of chicken tenders at Heaven Sent's Lake City location, Brian Besley said he was introduced to Ezell's about a decade ago when a friend told him it was Ms. Winfrey's favorite fried chicken. But, he says: "I really don't care what Oprah thinks."

He says the chicken more or less tastes the same at both restaurants, but he prefers the rolls at Ezell's.

That could be because Mr. Stephens changed the recipe—though he wouldn't say how much.

Mr. Stephens says he "tweaked everything" when he opened Heaven Sent. "I made it mine," he says. "I'm Ezell. I make sure you can taste that."

Ms. Winfrey, in her statement, also praised another cook, a relative of her longtime partner, Stedman Graham: "The other amazing chicken is made by Stedman's cousin Durkie in his own backyard!"

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## WORLD NEWS

## U.S.-Europe Rift Clouds Iran Deal Rescue

Officials disagree over parts of pact that are set to lapse, amid talks on supplemental accord

By FELICIA SCHWARTZ

**WASHINGTON**—A disagreement between Washington and Europe over a key Trump administration concern about the Iran nuclear agreement threatens to scuttle efforts to preserve the international accord, U.S. officials said, as talks continue on a supplemental agreement.

The State Department has been leading discussions with Germany, the U.K. and France since January, with a goal of agreeing on a side deal to address President Donald Trump's three main concerns about the 2015 deal: Iran's ballistic missiles, the eventual expiration of restrictions on Tehran's nuclear program, and limits on the authority of international inspectors.

U.S. and European officials involved in the talks said they have made significant progress on ballistic missiles and inspections, but they fundamentally disagree on the parts of the deal that are designed to lapse in what are known as sunset clauses.

Washington wants to enshrine nuclear limits permanently, but the Europeans have refused, saying doing so would amount to a renegotiation of the deal itself.

Even if international officials can find a way to somehow narrow their differences, no one can say whether Mr. Trump will accept the result. National Security Council officials have also been part of the talks.

Departing Secretary of State Rex Tillerson appointed Brian Hook to lead the State Department's policy-planning department and tapped him to lead the effort to salvage the nuclear deal. Mr. Tillerson, fired last week by Mr. Trump, will leave the State Department along with three of his closest aides. Mr. Hook is staying for now, and addressed the status of talks with Europeans in a briefing with reporters on Wednesday.

"I can't predict whether we will reach an agreement with them or not. We have a goal in mind, and we either will reach agreement or we won't," Mr. Hook said.

Mr. Hook led a delegation last week to Berlin for a third round of consultations on a supplemental agreement to the nuclear accord. In the 2015 deal, Iran agreed to curb its nuclear program in exchange for sanctions relief.



A display in Tehran depicts missiles and Iranian Supreme Leader Ayatollah Ali Khamenei.

the gap on the so-called sunset clauses, suggested by people familiar with the talks, would be a European Union-U.S. declaration of a joint policy goal of keeping Iran at a significant distance from the ability to gather enough material for a nuclear weapon. Those people said such a declaration wouldn't threaten specific European steps if Iran doesn't comply, but could exert pressure on Iran's future behavior.

American officials said Europe has recently begun to move on non-nuclear issues of concern in Washington.

France, Germany and the U.K. are drawing up a list of sanctions over Iran's ballistic weapons and its backing and participation in the Syrian war, European diplomats said.

Some diplomats said the EU could agree to such sanctions in April, though some members of the bloc object to imposing new sanctions when Iran has been deemed in compliance with the 2015 deal by international nuclear inspectors.

The Trump administration also has considered a move to derail possible sales of hundreds of jetliners to Iranian airlines by Boeing Co. and Airbus SE.

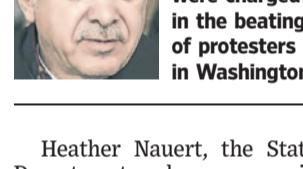
—Laurence Norman  
in Brussels  
contributed to this article.

## Dismissal of U.S. Charges Against Erdogan Guards Draws Ire

BY DION NISSENBAUM

**WASHINGTON**—Lawmakers, activists and local officials expressed disappointment over federal prosecutors' decision to drop charges against most members of Turkish President Recep Tayyip Erdogan's security detail who were accused of playing a role in the beating of protesters in May 2017 in Washington.

Prosecutors dropped charges against 11 of 15 members of Mr.



President Erdogan's bodyguards were charged in the beatings of protesters in Washington.

Heather Nauert, the State Department spokeswoman, said Thursday that the timing was a coincidence and that no one at State played a role in the decision to drop the charges.

In his private meeting with Mr. Erdogan last month, Mr. Tillerson mentioned the decision to drop the charges, but not as any sort of quid pro quo, she said.

U.S. officials said prosecutors dropped some of the charges because several men were able to show that they weren't at the scene of the beatings when they occurred.

On Thursday, President Donald Trump spoke by phone

once the new secretary of state, Mike Pompeo, currently the Central Intelligence Agency director, is in place.

U.S. and European officials currently are exchanging draft versions of a possible side deal and could meet again in April.

One possible way to narrow

the rule of law. "One cannot avoid comparing this decision to President Trump's decision to congratulate [Russian President Vladimir] Putin on a sham election while not raising either Russia's attack on U.S. elections or Russia's chemical-weapons attack in the U.K.," Mr. Cardin said.

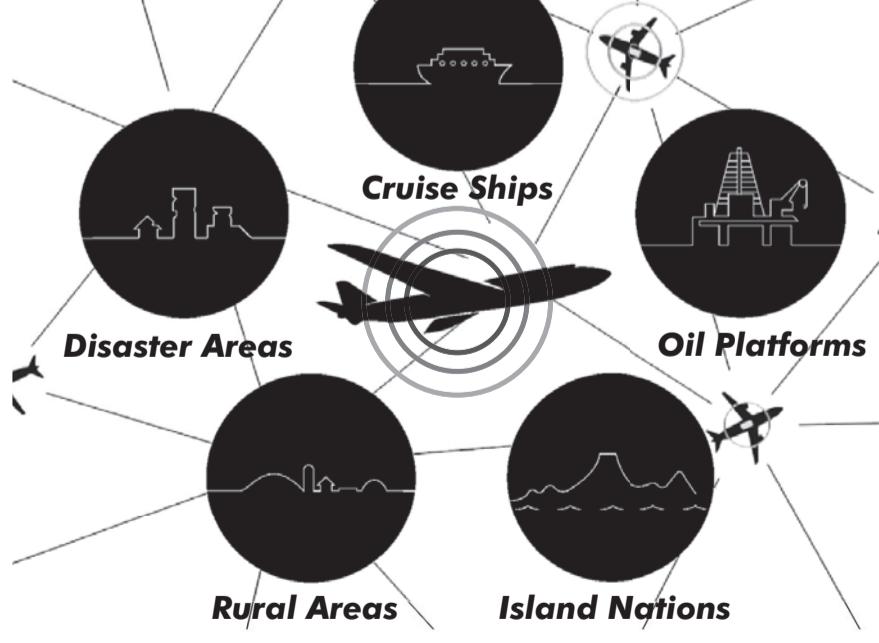
An official at the Turkish Embassy said Thursday it had no comment on the matter. The White House didn't respond to a request to comment.

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## WORLD NEWS

# Strikes Test Macron's Overhauls

French state workers halt trains, close schools as others rally to knock labor reforms

BY WILLIAM HOROBIN

PARIS—French President Emmanuel Macron got a taste Thursday of paralyzing strikes and protests he is set to face in the coming months as his economic overhauls collide with deeply entrenched constituencies in France's public sector.

Many schools have closed, less than half of France's trains are running, some flights have been canceled and unions have said they would stage walkouts at power plants.

Tens of thousands of protesters converged on Paris, ranging from rail workers protesting Mr. Macron's plan to peel back their privileges to civil servants striking over pay and conditions.

The disruption marks the start of several months of planned strikes and walkouts. Rail workers plan to strike two days a week from April to the end of June.

The strikes are a test of Mr. Macron's nerve as he seeks to transform France's economic model with multiple overhauls. A rebound of the French economy drove an acceleration in the eurozone last year, but France is still lumbered with high unemployment and Mr. Macron's government says it must continue with overhauls of business regulations, welfare and labor rules to keep up the momentum.

Protesters in France are balking at the 40-year-old leader's push for greater flexibility and his challenge to so-called "insiders," whose protections and safety nets he says are costly for state finances, discourage risk taking and take opportunities away

YANN VALAT/EP/SHUTTERSTOCK CHRISTOPHE SIMON/AGENCE FRANCE PRESSE/GT/GETTY IMAGES (BELOW)



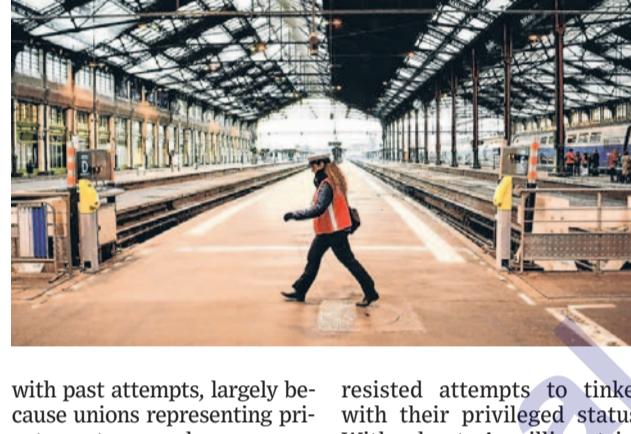
Protesters thronged Paris on Thursday to object to the president's economic agenda. Below, a nearly empty rail station in the capital.

from the young and jobless.

Laurent Berger, the head of the reformist CFDT union, said on French radio Thursday that rail workers and civil servants are being "stigmatized" by the government. "People don't understand the choices that are being made," Mr. Berger said.

Overcoming the resistance from rail workers and civil servants would burnish Mr. Macron's reputation as a bold, rapid reformer compared with his predecessors. If he is forced to scale back his plans, economists warn that France risks slipping back into inertia, hamstringing its growth prospects compared with other European countries.

For the private sector, Mr. Macron has already decreed more-flexible labor laws and slashed taxes that weigh on investment. Those overhauls proceeded smoothly compared



with past attempts, largely because unions representing private-sector employees were too divided to mobilize workers.

But civil servants and rail workers at state-owned operator SNCF are powerful, more-cohesive constituencies in France that have for decades

resisted attempts to tinker with their privileged status. With about 4 million trips taken on French trains daily, rail strikes can wreak havoc on the French economy.

The public-sector overhauls aim for greater labor-market flexibility by cutting back on jobs for life, using more con-

tract workers and introducing a higher dose of performance-related pay for the country's 5.5 million civil servants.

Mr. Macron also wants to put an end to the recruitment of rail workers on lifelong contracts akin to those enjoyed by civil servants. The move—which Mr. Macron is set to pass by decree—aims to prepare the heavily indebted SNCF for competition in the rail sector.

For now, surveys show a majority of French people don't support rail workers' plans for prolonged strikes. But some union leaders are calling for private-sector workers and retirees angry about tax increases to join the demonstrations. If different protests fuse into the broader backlash, Mr. Macron could find himself isolated and forced into retreat.

## France's Sarkozy Assails Accusers

BY MATTHEW DALTON

PARIS—Former French President Nicolas Sarkozy fired back against allegations that he accepted campaign cash from Moammar Gadhafi, saying the late Libyan dictator's family and associates had conspired to slander him after Mr. Sarkozy championed the military campaign that led to Gadhafi's downfall.

French authorities brought preliminary charges Wednesday evening against Mr. Sarkozy for alleged campaign-finance violations, corruption and accepting funds that had been diverted from Libya's public coffers.

Judges restricted his travel and forbade him from communicating with other witnesses in the investigation.

Speaking on prime-time television on Thursday, Mr. Sarkozy said: "I am accused by people close to a dictator whose terrorist regime we destroyed. There isn't the least proof."

He suggested that the allegations against him—made variously by Gadhafi's son, his brother-in-law, a Franco-Lebanese businessman close to the regime and others—were part of an effort to sabotage his political career.

In April 2012, between the first and second round of the French election, the French website Mediapart reported on a Libyan document drafted in December 2006 that described a plan to funnel €50 million (\$61.2 million) to Mr. Sarkozy's 2007 presidential election. At the time, Mr. Sarkozy was locked in a close contest with the Socialist François Hollande, who would go on to defeat Mr. Sarkozy.

ment to Catholic doctrine.

They were right. The big surprise was how joint membership in the bloc helped bring an end to old antagonisms between the two countries. Turning its gaze to the rest of Europe helped Ireland grow out of its obsession with perceived mistreatment by Britain, and by the time Irish voters were asked to renounce a territorial claim on the part of the island that was in the U.K. in 1998, a staggering 94% assented.

But progress has been slow, and it wasn't until 2011 that Queen Elizabeth II made the first official visit by a British monarch to Ireland in a century. The first official visit by an Irish president to the U.K. followed two years later.

In a speech at Windsor Castle during that trip, President Michael D. Higgins quoted an Irish language phrase: "Ar scáth a chéile a mhairimid." That roughly translates as "We live in the shadow of each other."

That is the way it still is, and the way it will be after Brexit.

—Jason Douglas contributed to this article.

# Ireland Has a Brexit Veto That Could Be Risky to Use

BY PAUL HANNON

May has said the U.K. must leave.

Ireland has influence over Brexit that belies its size. EU and British negotiators agreed Monday on a 21-month transition for the U.K. after it leaves the bloc in March 2019. However, Ireland effectively secured a veto over the overall Brexit deal from other EU members should it be unconvinced by the U.K.'s border proposals. Yet wielding the veto over the border issue would stir British animosity.

From the moment British voters chose to leave the EU in June 2016, Ireland's government has sought to ensure that the Brexit negotiations result in "the closest possible relationship" between the U.K. and the EU. Mrs. May's stance on the customs union and single market makes that a challenge.

At an economic level, Ireland can see little upside from Brexit, and only a range of more- or less-bad outcomes. Ireland's Economic and Social Research Institute on Wednesday estimated that a "hard" Brexit that led to new tariffs would increase the cost of living for households by between



Prime Minister Theresa May, in Brussels for a meeting with European Union leaders on Thursday.

ERIC VIDAL/REUTERS

2% and 3.1%, with those on lower incomes suffering most.

But the potential damage goes beyond economics.

"The relationship with the U.K. will inevitably be set back," said Daithí O'Ceallaigh, a former Irish ambassador to

the U.K., and chair of the U.K. Group at Dublin's Institute of International and European Affairs. "It developed when both were members of the EU, and the relationship will not be as close."

The two countries joined

the EU at the same time, and Ireland was marginally the less enthusiastic of the two, with conservatives fearing membership in the bloc would dilute an idiosyncratic culture built around the rejection of modernity and a fierce attach-

ment to Catholic doctrine. They were right. The big surprise was how joint membership in the bloc helped bring an end to old antagonisms between the two countries. Turning its gaze to the rest of Europe helped Ireland grow out of its obsession with perceived mistreatment by Britain, and by the time Irish voters were asked to renounce a territorial claim on the part of the island that was in the U.K. in 1998, a staggering 94% assented.

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# BANKS

Continued from Page One

nity banks, by contrast, had 76% of branches but got only 48% of new accounts, the firm said.

New checking customers, who tend to be younger, are valuable to banks because they often provide more business later on by, for instance, taking out a mortgage or opening a brokerage account.

Before online and mobile banking became popular following the financial crisis, these consumers generally opened a new account at the bank with the nearest branch, no matter the size of the institution, said Andrew Frisbie, executive vice president at Novantas.

But now that many banking transactions are done online or through smartphones,

these customers are picking national banks because of their well-known brands and the perception that their technology is better, Mr. Frisbie said.

Large banks' deposit growth is a major advantage because it provides the banks with an increasing base of cheap financing that can be used to make loans. It also allows them to avoid paying higher interest rates to depositors, which disappoints savers but boosts the firms' profit margins.

"The biggest banks are winning," wrote Tom Brown, CEO of hedge fund Second Curve Capital LLC, last month. "Small banks should be very concerned."

Through the 1980s, American banks faced tough legal constraints on getting bigger that ensured the country's deposits remained spread out across thousands of small banks. While some rules lim-

ited size still exist, in 1994, lawmakers passed legislation that paved the way for national banks that could hold customers' deposits coast to coast. At the end of that year, the three largest banks held about 5% of the nation's deposits. Those firms eventually were a part of multibillion-dollar mergers that created

today's biggest lenders.

Some of the deposit growth comes from businesses parking their money in bank accounts that earn no interest. That funding is often considered less valuable because it is seen as likelier to leave as rates continue to rise.

But the biggest chunk of

deposits is held in the banks' retail units, which hold money consumers leave in their checking and savings accounts, according to bank filings. These deposits, which are considered "sticky," or less likely to leave, have become even more important because of postcrisis rules.

The biggest banks also have improved customer-satisfaction ratings that had been damaged by the financial crisis and increased home foreclosures.

And they are persuading current customers to leave more money with them, in part by encouraging customers to keep their primary checking accounts with them. For instance, the average checking-account balance at Bank of America has increased to about \$7,000 from \$2,000 in 2007.

Prohibited from doing deals, JPMorgan and Bank of America are planning to keep

expanding by opening branches in major U.S. cities where they have none. Bank of America has opened or announced plans to open around Denver, Indianapolis and other cities.

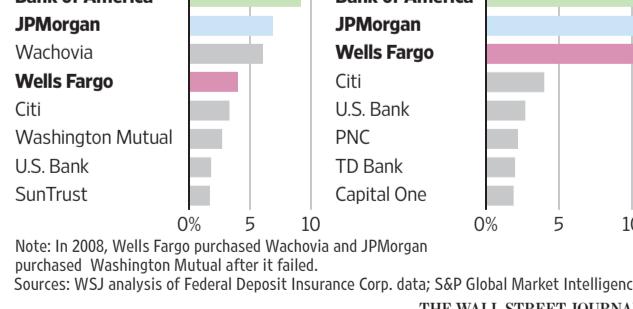
JPMorgan hasn't named the 15 to 20 new markets it is entering, but analysts think they could include Boston, Washington, D.C., and Philadelphia.

The strategy could steal business from Wells Fargo, which is struggling to move past the image problems that have come along with its various regulatory issues. It could also accelerate deposit-gathering problems for smaller banks, said Mr. Brown of Second Curve Capital.

And that can lead to other issues, from slowing loan growth to dwindling fees from other relationships. The risk for small banks, he said, is that "this is a slow death."

## Dominating Deposits

The largest retail banks have a growing share of U.S. deposits



Sources: WSJ analysis of Federal Deposit Insurance Corp. data; S&P Global Market Intelligence

THE WALL STREET JOURNAL

## IN DEPTH

## VOTE

*Continued from Page One*  
apart so fast that it will soon be half the size it was five years ago.

But the Maduro administration, which has just a 22% approval rating, has developed a broad strategy to prevail through dirty tricks, fear tactics and, crucially, using the lure of food to get the country's poorest voters to support his administration, pollsters and elections experts in Venezuela say. Last year, the ruling party won three elections for local, state and national bodies.

Food is an enormously powerful weapon in a country where babies die of malnutrition, store shelves are often bare and three-quarters of the population has lost an average of 19 pounds. The grants to millions of poverty-stricken voters might very well ensure his leftist movement runs this country for many years to come.

"It's criminal," said Maritza Landaeta, head of the Bengoa Foundation, a group that studies nutrition and poverty in Venezuela and has been a strong critic of the government. "The same people that asphyxiated the food industry and generated the shortages are now using food as a political tool."

Interviews with voters across Venezuela, from opposition strongholds in Caracas to remote towns that have long been bastions of government support, found that even poor communities discouraged by the rapidly worsening situation were willing to back Mr. Maduro.

Many of his critics, meanwhile, say all hope is lost.

"I won't vote again," said Luis Alberto Guerra, 83, a retired lawyer and opposition supporter who said he was threatened by pro-government activists in a Caracas slum where his voting center had moved last year. "What am I doing voting if the government is always doing these tricks? They will never accept defeat."

**'They bought our votes,' says a street vendor who says she was offered free food.**

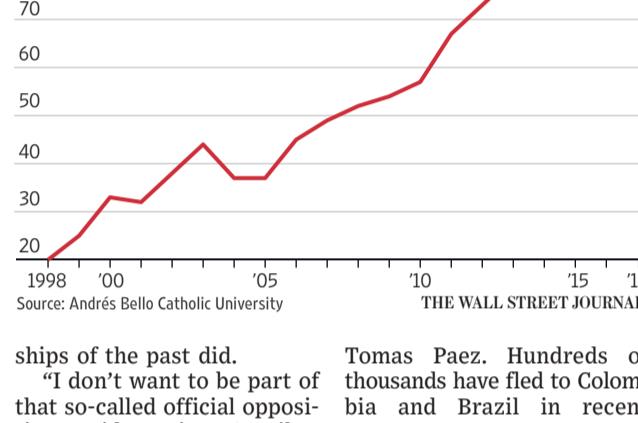
The leading opposition political parties have said they'll abstain from the May vote, after talks with the government to organize fair elections broke down on Feb. 9. One opposition candidate, Henri Falcón, has defied the boycott and is looking to unseat the incumbent with a proposal to end hyperinflation by dollarizing the economy and promising amnesty for government loyalists. Adversaries of Mr. Falcón and the government say taking part only validates a manipulated electoral system in which the president effectively picks his opponents, as Latin American dictator-



July Castellano, with three of her children in Los Valles del Tuy, above, feared food would be withheld if she abstained. Below, Mayally Naguanagua relies on food handouts to survive.

### Mortal Threat

The homicide rate in Venezuela is one of the highest in the world, at 89 per 100,000 people.



ships of the past did.

"I don't want to be part of that so-called official opposition," said Henrique Capriles, a two-time presidential candidate whom the government has barred from holding office. "This country stopped being a democracy a while ago. I never thought Maduro would take things this far."

More than a dozen countries in the hemisphere, including the U.S., Canada, Brazil, Argentina and México say they won't recognize the result of the May poll. Mr. Maduro said he wouldn't be deterred.

"With or without an opposition, in Venezuela there will be an election and the people are going to come out by the millions to vote," the former bus driver said in a recent televised news conference.

Venezuela's electoral council and information ministry didn't respond to emails and phone calls seeking comment. In the past, Mr. Maduro has dismissed criticism of Venezuela's electoral system as part of a campaign led by the U.S. and his domestic political foes to destabilize his leftist government.

The president has honked down by forgoing calls for changes and blocking international humanitarian aid, exacerbating a crisis that has pushed nearly three million people to leave the country in 19 years, according to sociologist and migration expert,

Tomas Paez. Hundreds of thousands have fled to Colombia and Brazil in recent months, prompting the two countries to deploy troops to their lawless borders with Venezuela.

The scarcity and cost of food is a main driver of the exodus. Millions who remain here depend on the state.

About 3.5 million of Venezuela's 6 million homes receive boxes of food through the military-run Local Committee for Supply and Production, according to pollster Delphos. That program—known by its Spanish initials, CLAP—is the main food source for 15% of Venezuelans, according to Caracas's Catholic University.

"With an economy that is destroyed, every day Venezuelans become more dependent on the state," said Mr. Capriles. "If you're not loyal you don't eat."

In November, a month ahead of the mayoral elections, Mr. Maduro offered pork joints to voters. Weeks later, with people struggling to pay for goods amid hyperinflation, he promised voters cash bonuses. And then on election day, with turnout slumping, he enticed voters with what he said would be a special gift. It was unclear what the gift was, although many voters did get boxes of food.

To receive benefits, the government is increasingly

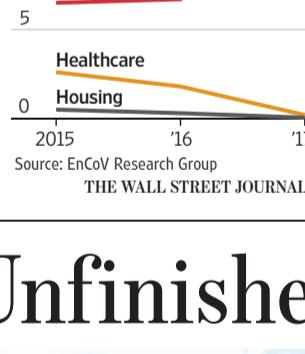
requiring citizens to hold new identification cards, which authorities say have been issued to about half of Venezuela's 30 million people.

The so-called Fatherland Card, using technology from Chinese telecom giant ZTE Corp., allows the government to keep track of who has voted. That permits officials to put pressure on food recipients if they are reluctant to cast a ballot, according to election experts, government critics and ruling party activists.

By law, the vote is supposed to be secret. But at voting centers in the capital, Caracas, and the westernmost state of Zulia during the December municipal elections, it was easy to see how the rul-

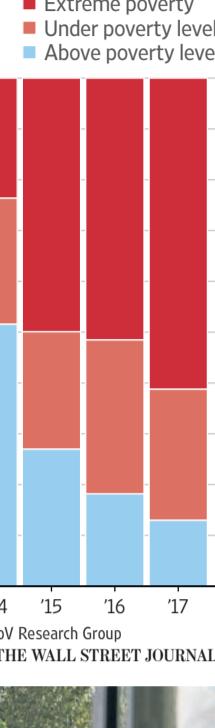
### Hunger Pangs

More than 12 million Venezuelans receive government food assistance, much more than for healthcare or housing.



### Spreading Misery

More than 60% of Venezuelans now live in extreme poverty, up from around 24% in 2014.



election than in the 2015 congressional election, which the opposition won handily when the economy was more stable. The opposition's support fell by almost 5 million votes.

Voters who used their Fatherland Cards were given food at a quarter of the polling stations surveyed in December by Torino. At some other sites, voters were instead told where they could pick up the food.

After voting, Katerina Noriega, a street vendor in Santa Rita, was directed by Socialist activists to a warehouse to receive a couple of pounds of rice and beans, worth about 10 days of work. "They bought our votes," said Ms. Noriega, who acknowledged supporting the government candidate to get the free food. "I did it because of our difficult situation."

In Valles del Tuy, a crime-ridden region an hour drive south of Caracas, food helped the ruling party get 85% of the votes in some districts in December.

There, Mayally Naguanagua, 38, who lives in a tin-roofed shack with her sister and her sister's children, said the family relies on the box of food to supplement whatever else she manages to buy with the \$4 she earns a month. The help is vital: Ms. Naguanagua's sister's two children, ages 2 and 3, roam the home with bloated bellies.

July Castellano, 40, a mother of five, didn't want to vote for anyone in last year's elections, but feared the food would be withheld if she abstained. Ms. Castellano said her two youngest daughters—aged 4 and 6—have lost about 10 pounds in recent months as the family is forced to eat just once a day.

"They tell me, 'Mommy, please, I'm hungry, I want to eat,'" said Ms. Castellano. "I voted swearing at the government."

Nelly Cedeño, 62, runs the CLAP program in the nearby town of Santa Lucia. During an election, she helps manage the ruling party's tent, where Fatherland Cards are scanned. She has a team outfitted with cars and motorbikes to hunt down prospective voters.

"Maintaining this system is a priority for us," said Ms. Cedeño, whose family of 13 gets everything from hot meals to their concrete-block home from the state. "The government has guaranteed that we get our little drop."

The power of Mr. Maduro's electoral machine has discouraged opposition supporters such as Larry Segovia, 36, who lives in Santa Lucia. Worn out from juggling his crumbling accounting business, Mr. Segovia said he's now thinking of backing the government as he watches his pro-Socialist neighbors get food and other perks.

"If you can't beat them you might as well join them, just to be able to take advantage of something," he said from his cramped office. "How are you going to fight against that elephant?"

—Maolis Castro in Caracas contributed to this article.

would accelerate the timetable for power restoration. Prepa reported last week that 32% of the 755 towers and poles that were downed in the hurricane still aren't repaired. Of 1,238 damaged conductors and insulators, 28% weren't finished.

"The average citizen on the street in those communities cannot tolerate even the perception that at this point we will begin to wind down the urgent relief mission and that the process of finishing the job will slow down," Rep. Jennifer González-Colón, Puerto Rico's Republican delegate to Congress, wrote in a letter to Army Corps officials last week.

Michael Byrne, the federal coordinating officer for the hurricane response, testified on Thursday that the remaining work would be the most difficult.

"It's like working on a car engine," he said. "You could bring in lots more mechanics, but you can get only so many hands into the vehicle at one time."

The Army Corps said Wednesday it was "on track with its contribution to the goal" of restoring power to 95% of Prepa customers by the end of the month. The final 5% could take until late May, it said.



Puerto Rico's power monopoly, known as PREPA, has to do most of repair work now.

ALVIN BAEZ/REUTERS

Andrew Phillips of the non-profit Electric Power Research Institute, based in Palo Alto, Calif., advised repair crews in Puerto Rico and said they would ask if they could safely use conductors, scavenged transformers and other parts that didn't meet required specifications.

The Army Corps has acknowledged the supply shortages and said natural disasters last year in Texas, Florida and California strained supplies across the U.S. A Prepa spokesman declined to comment, referring questions to the Army Corps.

while the Army Corps was responsible for filling supply shortfalls "as well as expediting the delivery and distribution of those supplies." But a Fluor spokesman said the Army Corps was charged with supplying materials.

Fluor said its work in Puerto Rico turned the lights back on for more than a quarter-million customers and injected \$185

million into the island economy through hiring of local workers, suppliers and subcontractors.

PowerSecure said it "has been responsible for restoring power to tens of thousands of people despite facing difficult conditions and terrain."

Twelve Democratic senators wrote a letter to Army Corps officials on March 16 asking if keeping its contractors in place

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CHEVROLET



# GREATER NEW YORK

## Charter's First Students Head to College

All 17 seniors at Success Academy have been accepted to four-year schools

BY LESLIE BRODY

Sydney McLeod kept up her studies at Success Academy Charter Schools despite extensive absences to treat her sickle cell anemia. Her hard work paid off: She is heading to Stony Brook University on Long Island in the fall.

Her Success Academy classmate Aida Bathily competes on a national debate circuit and is weighing several college offers. And another senior, Moctar Fall, who spent two years of his childhood in a homeless shelter, got a full scholarship to study engineering at Massachusetts Institute of Technology.

"I don't see myself getting to MIT if I wasn't here" at the charter school, the 17-year-old said. "With a lot of moving and different neighborhoods, school has been my only home throughout my life."

All 17 seniors in the first graduating class of the city's largest charter network have gotten into four-year colleges, including Boston College, Emory University and Tufts University. They all started together in 2006, when the network opened its first elementary school in Harlem. In addition to their own ambition, they faced pressure to excel as a proof point for a charter network that has ardent fans and fierce detractors.

The Success Academy network has grown to 46 schools in New York City serving 15,500 students, who are mostly poor and nearly all black or Hispanic. Its founder, Eva Moskowitz, has long championed her charters as orderly, rigorous escapes from



STEPHEN REMICH FOR THE WALL STREET JOURNAL (2)

**Success Academy students, above, gathered at the school to practice singing. Below, others participated in a physical-education class.**

**73**

Number of Class of 2018 pupils that started at the school in 2006.

Advocates for traditional public schools also say the expanding charter network drains resources from them, because charters get per-pupil funding from the city's educa-

failing district schools. But teachers union leaders and other critics charge that her charters impose excessive discipline and systematically nudge out struggling students, claims that Ms. Moskowitz disputes.

The seniors at Success Academy High School of the Liberal Arts on East 33rd Street in Manhattan are the network's pioneers. Their June graduation ceremony will be held at Lincoln Center's Alice Tully Hall, with donors paying for the venue. "This is an educational community that has defied gravity," Ms. Moskowitz said in an interview.

Back when the Class of 2018 started, they were among 73 students in first grade. Those remaining express deep loyalty to their classmates and teachers. For years, they watched as friends left for schools that had less homework, fewer rules, shorter days, more sports and bigger

tion budget, and, in some cases, facilities aid.

Success Academy officials say their charters have low attrition rates compared with other schools serving their demographic. "It's rare to find an environment with people who look like you...black and brown kids, and world-class teach-

### Seniors Could Face Tough Transition

The path ahead for the Success Academy seniors could be daunting.

KIPP, a national charter network with similar demographics, said 38% of its alumni earned college degrees, compared with an average of about 10% for low-income students in general.

Trouble paying fees, feelings of isolation and insufficient campus counseling can derail them, studies show. A KIPP spokesman said it has added academic advising through college, with periodic visits, emails or calls, to boost graduation rates.

Jeffrey Henig, an education professor at Teachers College, Columbia University, said seniors who made it through Success Academy might well be ready to thrive in college. But some students who come from such highly structured systems of rewards and punishments can lose motivation when extrinsic incentives are gone, he said, and risk stumbling.

"It's not necessarily disciplinary trouble, but an inability to focus on the academic side without someone looking over their shoulder," he said.

Ms. Moskowitz said Success Academy sought to encourage more autonomy as students matured, to get them ready. "We have tried to really balance independence with avoiding fatal failure," she said.



ing," said Kelvin Jennings, who wears a sweatshirt showing his college pick, Tulane University.

The charter high school invests heavily in helping seniors

Please see GRADS page A11B

## Tunnel Wins Some Funds

BY TED MANN  
AND KRISTINA PETERSON

WASHINGTON—Lawmakers from New York and New Jersey won hundreds of millions of dollars in new railroad funding in the omnibus spending bill. But that won't break an impasse on their biggest railroad funding question: How to pay for a new tunnel under the Hudson River connecting the two states.

The bill would provide \$650 million to Amtrak for capital projects along its busy Northeast Corridor, an increase of \$322 million from 2017. The new funding would enable the railroad to contribute \$388 million to infrastructure improvements in the approach to New York City that the railroad calls the Gateway Program, a person familiar with the legislation said.

The bill also would add \$286 million to a federal program known as New Starts, a pool of \$2.6 billion for new transit projects, which the New York-New Jersey venture plans to apply to for some of the funding to build the tunnel and to replace a nearby, failure-prone bridge.

New Jersey Gov. Phil Murphy said he was pleased to hear the spending bill would include funding for the project. "It is vital to our economic security, will generate billions in economic development, and will bring thousands of good-paying

jobs to the region," said Mr. Murphy, a Democrat.

Yet the essential disagreement remains: Backers say they need the federal government to pay half of the \$12.7 billion cost, while the Trump administration says New York and New Jersey should pay for the majority of the work.

Transportation Secretary Elaine Chao told lawmakers earlier this month that New York and New Jersey need to put more "skin in the game."

The Transportation Department gave the initial financing plans for the Gateway tunnel project a "medium-low" rating, which would make it ineligible to receive grants from the New Starts program.



Backers say a new Hudson River tunnel is desperately needed.

## Airport Workers Closer to Raise

BY PAUL BERGER

About 20,000 cabin cleaners, baggage handlers, restaurant staff and other minimum-wage workers at New York's three major airports could receive a substantial pay raise, following a proposal Thursday by the Port Authority of New York and Jersey.

Executive Director Rick Cotton proposed a phased increase that would raise wages annually, reaching \$19 an hour in 2023, at a Port Authority board meeting in Jersey City, N.J. Currently, workers at Newark Liberty International Airport earn \$10.45 an hour. In New York, where a state mini-

mum-wage law passed in 2016, employees at John F. Kennedy International and LaGuardia airports earn \$13 an hour.

Mr. Cotton said that raising wages would improve customer service and productivity, while reducing turnover. "Airport workers deserve a fair and appropriate wage," Mr. Cotton said. "And today is a great day for airport workers who strive for economic justice."

Port Authority Vice Chairman Jeffrey Lynford said the increase would raise airport salaries to \$35,000 a year, a 13.5% average increase each year over the next six years for the lowest paid workers.

Port Authority board mem-

bers unanimously approved the measure. It now will go through a public comment and review period, and a final vote will be held in June.

For years, airport workers have attended Port Authority board meetings, testifying during public sessions about their struggles to pay for rent, food and medicine, and to raise a family on such low wages. Most workers are employed by contractors or subcontractors to airlines, terminal operators and concessions.

Hector Figueroa, the president of 32BJ of the Service Employees International Union, thanked commissioners Thursday for taking action.

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## GREATER NEW YORK

# Bill Allows Workers to Disconnect After Work

BY MIKE VILENSKY

A measure protecting employees from penalties for ignoring communications from work when they are off is gaining steam among New York Democrats, while drawing concern from business groups.

Councilman Rafael Espinal (D., Brooklyn) introduced the bill in the New York City Council on Thursday, and state Sen. Diane Savino (D., Staten Island) is working on a version in the state Legislature. "It's important for workers to be able to draw a line between their work lives and personal lives," said Mr. Espinal.

Mr. Espinal's legislation would make it illegal for an employer with more than 10 workers to require employees to access their work-related communications outside of normal work hours. It doesn't apply to government workers.

Business groups said the measure is too broad and would hamstring employers.

"I think they have to refine the industries this can be applied to," said Helena Natt, executive director of the Greater New York Chamber of Commerce. She pointed to industries like hospitality that call for on-the-fly labor.

The idea is still far from becoming law. New York Gov. Andrew Cuomo, New York City Mayor Bill de Blasio and City Council Speaker Corey Johnson declined to take a position on the bill Thursday.

New York state labor law already requires certain companies to pay hourly workers for work outside their usual hours. But employers have more jurisdiction over when they can ask salaried employees to be on the job.

Mr. Espinal is planning a council hearing on the measure for this summer.

BY CHARLES PASSY

At Italiennes, a restaurant in Manhattan's Flatiron District with French and Italian influences, patrons once could spend anywhere from \$40 to \$55 on such menu items as Wagyu steak and venison paired with foie gras. For those who really wanted to make an evening of it, the dining spot offered a six-course tasting menu,

dubbed "un voyage d'italienne," for \$125, with an optional wine pairing for an additional \$95.

But as of this month, the restaurant, which opened in late 2016, has rebranded itself as the more casual Trattoria Italiennes, and is touting a new menu with many lower-priced offerings.

Bar snacks can be had for as little as \$3 and entrees generally top out at about \$35. And while there is still a tasting menu, it is a relatively modest four-course affair that runs \$65.

The idea, says general manager and co-owner James King, is to make the restaurant more welcoming so diners stop by a few times a month rather than seeing it as an occasion-only destination. "We'd have people say, 'We love this place. We'll be back for our anniversary,'" Mr. King says.

Trattoria Italiennes is hardly the only New York City restaurant taking a fresh look at pricing these days in an effort to broaden its customer base. In some instances, dining spots are trying to offer two concepts under a single roof and appeal to different market segments simultaneously.

When the Michelin-starred, Paris-based chef Joël Robuchon opened his high-end L'Atelier de Joël Robuchon restaurant in the Meatpacking District last November, he had it share

space with his "elegant, yet approachable" Le Grill de Joël Robuchon concept.

At the former, a main course can cost as much as \$135 and tasting menus run \$145 to \$265. At the latter, there is a three-course prix-

fixe menu for \$65. All prices include tipping.

Alex Gaudet, CEO of Invest Hospitality, the New York-based company that has partnered with Mr. Robuchon on the restaurants, says dishes are created with "the

same attention to detail" at both restaurants. The main difference is that L'Atelier puts an emphasis on more fanciful preparations.

If anything, Mr. Gaudet sees Le Grill as a starting point for some diners, especially millennials, who appreciate fine cuisine, but can't necessarily pay to enjoy it in its most luxurious iteration—at least not yet. "In four or five years, maybe they can afford to come to L'Atelier," he says. "It's like recruiting the next generation."

Ageron, the Nordic-inspired restaurant in Grand Central Terminal that also offers \$100-plus tasting menus, has taken another approach to pricing. In recent weeks, it has expanded its à la carte offerings—even going so far as to add a burger and chicken wings, albeit in gourmet-minded versions. The \$26 burger, for example, is made with a secret-spice mix, according to chef Gunnar Gíslason, and is served on a bun seasoned with smoked salt and vegetable "ash."

The reason for the change, explains owner Claus Meyer, has to do with the difficulty the restaurant has faced attracting patrons since having to shut down for a time because of a flood in Grand Central. "We felt the need to be slightly more relevant to hundreds of people who don't need a 10-course tasting menu," he says.

Ultimately, each restaurant may have its individual reasons for adopting lower-price models and approaches. But if there is a common thread, it is the increased emphasis on casual dining in our culinary culture, says Arlene Spiegel, a New York-based hospitality consultant.

Today's diner "doesn't want the restaurant to tell them what to wear or how much to spend," she says. "They want to feel welcome whether they are in jeans or tuxedos."



Trattoria Italiennes, above, is offering a new menu with lower-priced options. Below, lobster bisque is served at Le Grill de Joël Robuchon.



space with his "elegant, yet approachable" Le Grill de Joël Robuchon concept.

At the former, a main course can cost as much as \$135 and tasting menus run \$145 to \$265. At the latter, there is a three-course prix-

fixe menu for \$65. All prices include tipping.

Alex Gaudet, CEO of Invest Hospitality, the New York-based company that has partnered with Mr. Robuchon on the restaurants, says dishes are created with "the

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## Digging Out After the Storm



**SNOW DAY:** Ruth Wertenthal shovels her sidewalk in Englewood, N.J., while her children played Thursday, a day after a spring nor'easter dropped up to a foot of snow in some parts of the region.

## GREATER NEW YORK WATCH

### UNEMPLOYMENT

#### City's Jobless Rate Is Lowest Since 1976

The state Department of Labor says New York City's unemployment rate has fallen to its lowest since the nation's bicentennial, while the statewide jobless rate is at its lowest in more than a decade.

The agency's monthly unemployment figures released Thursday showed the city's jobless rate had fallen from 4.3% in Jan-

uary to 4.2% in February, an all-time low based on records going back to 1976. The statewide jobless rate dipped from 4.7% in January to 4.6% last month, the lowest level since July 2007.

—Associated Press

### NEW JERSEY

#### Bill Would Expand Medical-Pot Program

New Jersey lawmakers advanced legislation that would permit doctors to authorize

medical marijuana for any diagnosed condition. The Assembly health committee approved the measure on Thursday.

Current law permits medical marijuana to be prescribed only for certain debilitating conditions. The measure also proposes a number of other changes, including authorizing a person to serve as a primary caregiver for up to two patients.

The bill comes as Democratic Gov. Phil Murphy pushes for legalizing recreational marijuana.

—Associated Press

tions in the fall.

"Whether it's overt racism or discrimination, or things that are passive-aggressive and small, we'll run into problems," Mr. Jennings said. "But just having our foot in the door to all these opportunities, we're going to set an example for the kids behind us."

Plans aren't fleshed out for how the school will support graduates long-term. Ms. Jakob said the college-counseling team would be available to offer advice when necessary. But, she added, "It's not going to be like Success College."

This is the first of a two-part series about Success Academy Charter Schools in New York City. The second part will focus on the network's first high school's growing pains.

## GRADS

Continued from page A11A

get into college. Four counselors, who sit in a glass-walled office decorated with university pennants, advise younger grades as well. One of the counselors, Danielle Jakob, said her office aims to avoid a common problem of "under-matching" among low-income students who often are the first in their families to go to college.

She said her team facilitated visits from 73 college representatives since September. The college reps received colorful handouts from the high school noting that on the SAT exams, the Class of 2018 had an average score of 623 out of 800 points in math, and

615 in critical reading. The New York City Department of Education reported last year that seniors in district high schools averaged 490 in math and 491 in reading.

Success Academy seniors joke about the intimate size of their class. The network has a sought-after lottery for enrollment in elementary grades, but doesn't add new students after fourth grade or fill seats when children leave. Many educators argue that taxpayer-funded charters should offer vacant spots to applicants, as regular public schools do. Ms. Moskowitz says newcomers wouldn't be prepared for the curriculum.

Some seniors anticipate they might experience culture shock when they enter large, predominantly white institu-

# LIFE & ARTS

## TELEVISION REVIEW

By Dorothy Rabinowitz

## From Russia With No Love



Keri Russell as Elizabeth Jennings

**IN THE FINAL SEASON** of "The Americans" the Jenningses—the KGB spy couple dedicated to unremitting war against the U.S.—are at war with one another, and a bitter, masterfully dramatized war it is.

Philip Jennings (Matthew Rhys), repelled by years of a bloodstained career of murder and deceit, and no longer willing to serve the Kremlin, is interested now in pursuing a normal American life. But Elizabeth Jennings (Keri Russell), more devout than ever in her belief that the Americans are simply awaiting their chance to destroy her country, is enlisted in a KGB plot to sabotage a planned nuclear disarmament conference. She is, in her now impenetrable dark tone, a new Elizabeth—sleepless, a chain-smoker barely able to be in the same room with her husband. Philip has not only turned his back on their mission, he harbors hopes for the success of that conference—a prospect abhorrent to her.

The series, which has taken on added relevance thanks to multiplying Russian-directed assassinations in the U.K. and elsewhere, has now moved on to the era of Gorbachev and the prospect of change in the U.S.S.R.—the kind Kremlin hardliners are determined to prevent via action by agents like Elizabeth and a far-flung spy network working to penetrate, and undermine, the arms summit conference on which Gorbachev has staked everything. Helping coordinate the plot is the couple's former handler, the richly complicated, old-school communist Claudia—an irresistible portrayal by Margo Martindale. Claudia's icy pragmatism comes mingled with motherly warmth, which she lavishes on the Jenningses' daughter, Paige, who has turned out, against all odds, to be an eager KGB spy-in-training.

To watch Paige (Holly Taylor) employ her lethal martial-arts skills on two college-age bozos is to grasp how much this former devotee of Bible-study classes has learned. It's a stunning scene, one of the many in these memorable final episodes—among them, the impassioned recital Claudia delivers, for Paige's education, on the battle of Stalingrad and the world's failure to grasp that it was the Russians who delivered the death blow to the German forces in World War II. Not the Americans.

The designs against Gorbachev are widespread and murderous—but they don't go unopposed. The retired Oleg Burov (Costa Ronin), KGB agent with a conscience, has been persuaded to return to Washington to counter the efforts of Gorbachev's enemies. Burov, loath to leave his happy life with his wife and infant son, is driven by one cause—saving Gorbachev, and the hope for a freer Russia he represents. Responding to his wife's despairing plea that he stay at home Burov

Please see AMERICANS page A13



FOX SEARCHLIGHT PICTURES (3)

FILM REVIEW | By Joe Morgenstern

## 'Isle of Dogs': Wes Anderson Unleashed



**WHEN WE WERE KIDS** we didn't know or care how movies were made. They were magical entities unto themselves, and we watched them rapt. Recapturing that state of mind, eye and heart is certainly hard, but not impossible, as "Isle of Dogs" shows. Wes Anderson's joyous stop-motion feature looks and sounds like nothing we've encountered before, including his previous stop-motion feature, "Fantastic Mr. Fox," which was pretty wonderful too. This one follows its own goofy rules, fills the screen with astonishing images, tells a touching tale of outcast dogs and a faithful boy, and does so with ultralively deadpan wit. My only regret after seeing it at a screening was that I couldn't stay and see it again.

The story is set 20 years in the future in a Japan that, for all its advanced technology, recalls the early gangster sagas of Akira Kurosawa, with their noirish plots and explosive consonants. Mayor Kobayashi, the scowling thug who runs Megasaki City—he looks a lot like Toshiro Mifune—has responded to a surfeit of canines and an outbreak of snout fever by banishing all dogs to Trash Island, the isle of the title, a vast garbage dump off the Japanese coast.

All of the dog barks, as a title card explains, have been rendered into English, while humans speak in their native languages, with English subtitles where needed. The movie's pooches are played by a superb voice cast: Bryan Cranston (who voices the alpha dog Chief) and Scarlett Johansson (as the lovely and sophisticated Nutmeg), plus Bill Murray, Edward Norton, Tilda Swinton, Liev Schreiber, Jeff Goldblum, Harvey Keitel, F. Murray Abraham and Bob Balaban. (Angelina Huston wins the prize for best screen credit as a mute poodle.) A couple of English speakers play humans: Frances McDormand is Interpreter Nelson, and Greta Gerwig is Tracy Walker, an American foreign-exchange student who speaks out for the canines' civil

rights. Japanese actors voice everyone else, from Kobayashi (Kunichi Nomura) down to Assistant-Scientist Yoko-ono (Yoko Ono, of course) and, most notably, Atari (Koyu Rankin), Mayor Kobayashi's 12-year-old ward.

Atari, the film's hero, flies himself to the island in a hijacked plane to find and then rescue his own beloved Spots. The plane, we are told, is a Junior-Turbo Prop XJ-750; that is to say, it's a sweet little toy that seems to have been cobbled together from mismatched parts. Many of Mr. Anderson's live-action films evoke toys in dollhouse sets that are photographed head-on, with an emphasis on symmetrical planes—Matisse crossed with Joseph Cornell. Those elements recur here in



a production designed by Paul Harrod and Adam Stockhausen and photographed by Tristan Oliver.

But there's a new explosion of creativity, as well as consonants, that seems to have been ignited by drawing from the majesty and oddity of great Japanese movies. One has a sense that this film, like "The Simpsons" over the years, was a receptacle for comic ideas from who knows how many talented collaborators. Mr. Anderson wrote the screenplay, but he shares credit for the story with Roman Coppola, Jason Schwartzman and Mr. Nomura. Alexandre Desplat wrote the score, which is supplemented by ominous taiko drumming, and by music that includes a mambo from "Seven Samurai"

The director's explosively creative stop-motion movie sees man's best friend exiled to an island of garbage and includes the voices of Bryan Cranston, Scarlett Johansson, Bill Murray, Edward Norton, Tilda Swinton, Liev Schreiber, Jeff Goldblum, Harvey Keitel, F. Murray Abraham and Bob Balaban.

and Prokofiev's "Midnight Sleighride" played by the trailblazing Sauter-Finegan Orchestra of the 1950s.

"Fantastic Mr. Fox" was memorably clever and very funny. "Isle of Dogs" is clever, funny, startlingly beautiful, politically acute and surprisingly heartfelt. The silly stuff isn't cultural appropriation, but high-burlesque borrowing. The beauty can be eclectic to the point of wackiness—an overhead shot, as if from a hovering drone, of a sushi chef doing his samurai thing; kidney-transplant surgery studied from the same point of view. But many settings and scenes take your breath away with their bold graphics: a rabbit-rousing rally worthy of Leni Riefenstahl; an island trashscape that recalls "WALL-E"; a furious dogfight enveloped by a giant cotton ball of dust; a miniature mushroom cloud rising from a coal-and-copper cove toward a lowering gray sky.

Had I been able to see the film again I might have watched it happily without sound, just concentrating on the visuals, but then I would have missed the dialogue's emotional content and real-world relevance. Mayor Kobayashi is a strongman in the modern mold, fanning the flames of public fear about a canine plague for which a cure has already been found, but secretly concealed. His opponent, the Science Party candidate, has been sent to prison. His allies, the Clenched Fist Gang, have eliminated public opposition to deporting Megasaki City's beloved canines en masse, and prepared the way for a final solution.

On Trash Island, though, the drama is less political than human, as it concerns young Atari (who writes a haiku about dogs, love, spring and eternity), and quasi-but-deeply human in the case of the dogs, who yearn for the good old days with adoring masters or mistresses. It's a defining moment for these frightened and depressed exiles, and for Chief, their leader. "We're a pack of scary, indestructible alpha dogs!" he tells them in an effort to lift their tails and stiffen their spines. Yet there's also time for romance. "I'm not a violent dog," Chief insists to the lissome Nutmeg. "I don't know why I bite." Her reply is all he could ask for: "I'm not attracted to tame animals." Mr. Anderson's film is all a movie lover could ask for. It's the canine version of the cat's meow.

THEATER REVIEW | By Terry Teachout

## 'LATER LIFE': FROM THE BARD OF THE WASPS

**New York**  
**WHEN A PROLIFIC** artist dies, it takes time to sort through his output and decide what—if anything—is likely to last. That's happening right now to the four-dozen plays of A.R. Gurney, the bard of the upper-middle-class WASP, who died in June at the age of 86. "The Dining Room," "The Cocktail Hour," "Love Letters" and "Sylvia" continue to hold the stage and assure him of a place in the history of postwar American theater. And what of the others? Many, like "Black Tie" and "Indian Blood," are little more than high-class comfort food for country-club Republicans. But Mr. Gurney was no four-hit wonder, and the Keen Company's off-Broadway revival of "Later

Life," first produced by Playwrights Horizons in 1993 but rarely seen since then, is a welcome reminder that there are glittering gems lurking amid the paste.

According to Mr. Gurney, "Later Life" is "indebted to Henry James." In fact, it starts out as a comic variation on "The Beast in the Jungle," one of James's most disturbingly melancholy tales. The protagonist, Austin (Laurence Lau), is an affable Boston divorcee of a certain age who has been haunted his whole life long by the certitude that "something terrible" is destined to happen to him. He goes to a cocktail party and meets Ruth (Barbara Garrick), a divorcée of like vintage who

Please see THEATER page A13



Barbara Garrick and Laurence Lau  
CAROL ROSEGG



## SPORTS

## NCAA TOURNAMENT

# Dylan Went Electric. Duke Went Zone.

Mike Krzyzewski's teams played man-to-man. Then he became U.S. national coach and picked the brains of those around him.

BY ANDREW BEATON  
AND BEN COHEN

**MIKE KRZYZEWSKI'S** team needed a stop. Up by one before the last possession of the game, his collection of extraordinarily talented players went to the bench to hear Krzyzewski's defensive strategy. Before he could say anything, though, Jim Boeheim suggested an idea.

"How about zone?" he said.

Krzyzewski and Boeheim won't be in the same huddle when No. 2 seed Duke plays No. 11 seed Syracuse on Friday night in the NCAA tournament's Sweet 16. They were only sitting next to each other on the bench that day in 2010 as coaches for Team USA in an exhibition against Spain. And they both knew the very last thing Spain expected was a zone defense.

The Americans had never played zone before under Krzyzewski. They would never play zone again. But this time, and only this time, the zone that Krzyzewski called "Orange," in honor of Boeheim, was exactly what they needed.

Spain was so bewildered that it forced two 3-pointers even though it was only down one point. Both threes were blocked by Kevin Durant. Team USA won that day because of the zone.

What happens on Friday won't be so different. Krzyzewski's team will either win or lose because of the way it uses Boeheim's zone.

Krzyzewski playing zone defense is about as stunning as Krzyzewski coaching in a Speedo. This is the coach who literally wrote the book on playing man-to-man defense. It's called "Duke's Team Man-to-Man Defense Book."

He was a man-to-man doctrinaire who sneered at the idea of a zone defense—which, in the simplest of terms, requires a player to defend an area of the court instead of a specific player. Then he became the U.S. national coach and picked the brains of those around him. Minnesota Timberwolves coach Tom Thibodeau on "icing" defenders in the pick-and-roll. Houston Rockets coach Mike D'Antoni on spacing. And his old friend Boeheim on zone.

Chris Collins, the Northwestern coach who was a Duke assistant and Team USA scout, says Boeheim was the only person who could have convinced Krzyzewski to practice zone with LeBron James, Kobe Bryant and the best players on the planet for 10 minutes every day.

The one player on that team already comfortable with Boeheim's matchup zone was Carmelo An-



T-B: STEETER LECKA/GETTY IMAGES; ALAN SCHWARTZ/CSM/ZUMA PRESS

Above, Syracuse's Oshae Brissett throws the ball in during a game against Duke on Feb. 24. Left, Jim Boeheim greets Mike Krzyzewski.



thon, who won a national championship in his one year at Syracuse. Those practices may have been the only time that NBA stars looked to him for defensive expertise.

"Melo would talk a lot of trash," Collins said.

It wasn't until 2015, the same year he won his first title with one-and-done players, that Krzyzewski gritted his teeth and adopted a zone at Duke. The Blue Devils had lost two straight games in January of that year to unranked teams, in large part because its man-to-man defense was putrid. The next game was on the road against a highly ranked Louisville team. They came out in zone.

The Cardinals opened the game with a wide open 3-pointer. For a coach who spent his entire career

loathing a defense that baits other teams into long-range shots, this was a nightmare scenario. "I think guys who don't use the zone a lot, as soon as someone hits two threes, they say: 'Man, that's not working,'" he said in a Dan Patrick Show interview this week.

The Cardinals took three more threes before the first media timeout. They missed all three. Duke stuck with the zone and won the game. Krzyzewski slowly became comfortable enough with the zone to use it in Duke's biggest games of that season. They even played zone in their last win of the season: the national championship.

But it didn't become their default until Duke found itself with a familiar problem this year. It had lost two in a row (again) because a

team starring freshmen that had been heralded as the top recruiting class in the country (again) was playing lousy defense (again).

"There are very few freshmen that understand how to play defense," says Duke associate coach Jeff Capel.

It didn't take long for Duke's coaches to realize why their defense was getting torched. They saw other teams spreading the court, drawing Duke's bigs to the perimeter and getting them in foul trouble. The solution was so obvious that Duke had already experimented with it. When they beat No. 2 Michigan State in November, the Blue Devils had played zone. They decided that's what they would play for the rest of the season.

Krzyzewski's assistants say there was a time they never would have believed that could happen. But he adapted, and it worked. Duke's defense ranked 108th nationally in January, according to KenPom.com. It's now ranked No. 8.

The highlight of this transformation came in February against the coach who made it possible.

Syracuse walked onto Duke's home court and had to watch the Blue Devils running their defense—only better. Duke held Syracuse to 44 points. It was the team's best de-

fensive performance in the last five years of ACC play.

"I don't think that Coach K should really be allowed to play zone," Boeheim said. "I'm surprised that he would even do that."

He was so deadpan that Boeheim had to clarify that he was joking.

Syracuse's zone is so effective because Boeheim recruits athletic players with long reaches who are perfectly suited for his style. Duke already had players whom Boeheim could've plugged into his zone. Four of Duke's eight rotation players have wingspans longer than 7 feet. When they go big with Marvin Bagley III, Wendell Carter and Javin Delaurier or Marques Bolden, they're bigger than some NBA teams. And even their 6-foot-3 point guard Trevon Duval has a wingspan longer than 6-foot-9.

It's only natural that Duke's matchup zone looks similar to Syracuse's. Krzyzewski and Boeheim are close, and their assistants trade ideas and spent time together in Japan, Beijing, Turkey, London, Spain and Rio de Janeiro during Team USA competitions over a decade. But the coaches say that Duke and Syracuse aren't exactly identical.

"I'm sure they didn't give us everything," Capel said.

## FOOTBALL | By Jason Gay

## ARE YOU READY FOR (MORE) FOOTBALL?



Big news everybody: I've decided to launch my own professional football league.

I'm not sure what to call it, though. The Jason Football League, aka the JFL? The Gay Football League, aka the GFL?

My wife suggests Another Terrible Idea from My Idiot Husband, aka ATAMIH, but ATAMIH doesn't really roll off the tongue.

I'll workshop the name. Maybe I'll do some focus grouping with the neighborhood squirrels.

But I'm definitely doing something. Pro football is where it's at right now. At least it seems that way. Earlier this winter, the wrestling czar Vince McMahon announced that he was reviving the XFL, his sizzly failure with NBC in 2001. Player agent Don Yee is working on a developmental league called Pacific Pro Football.

This week, Charlie Ebersol—the filmmaker/producer and son of former NBC Sports titan/XFL partner Dick Ebersol—announced he was getting into the game with an outfit called the Alliance of American Football, which will make its debut the weekend after the Super Bowl, on Feb. 9, 2019. He's lined up investors like the Chernin Group and Peter Thiel's Founders Fund.

Sounds bold but...wait a minute. Didn't we just get through a season complaining about how the average NFL game looked like cats trying on pajamas? Doesn't it seem like there are there, like, only nine people on earth capable of playing above-average quarterback?

Isn't there growing concern in football about player safety and long-term head injuries? Aren't the television ratings for the pro game in decline?

More football? It's like hearing Hey everybody—I just warmed up another delicious round of microwave pizza!

I spoke to Charlie Ebersol on Wednesday. He congratulated me on my plans for the JFL/GFL, and insisted that reports of football's demise are quite exaggerated.

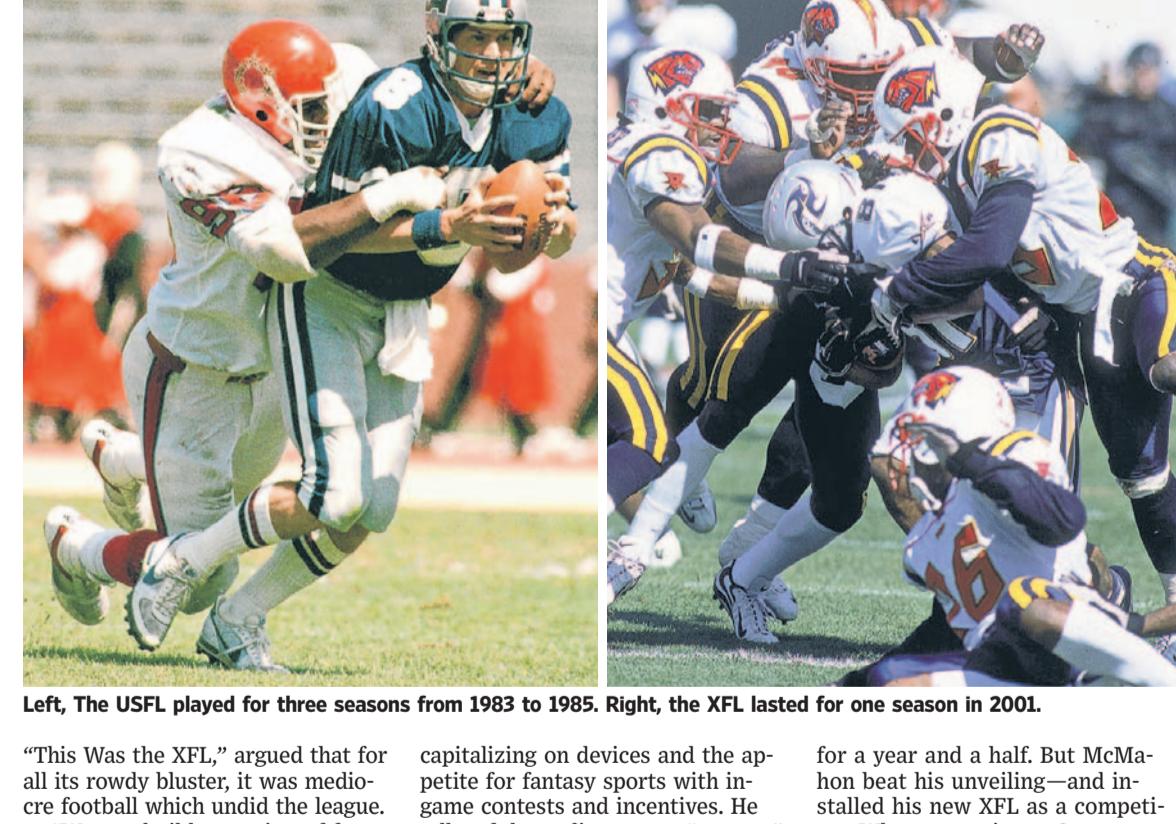
"There are millions of Americans who watch football—and don't watch professional sports the rest of the year," Ebersol said.

It's true that for all the doom-saying, pro and college football remains a reliable television juggernaut. The NFL ratings still dwarf by multiples—the ratings of the other professional sports and entertainment. Sunday Night Football is the No. 1 show on TV. Fox just paid \$660 million a season for Thursday Night Football!

But still—that's the NFL. How is Ebersol's Alliance possibly going to put out an intriguing product? He points to the thousands of unsigned college players—how many overlooked Kurt Warners are out there? He's also signed up heavies like former Colts exec Bill Polian and ex-players Justin Tuck, Jared Allen and Troy Polamalu to oversee and manage the game in interesting ways.

"The single most important thing is to put good football on the field," Ebersol said.

Ebersol would know—his recent ESPN documentary on his father's and McMahon's XFL co-adventure,



L-R: DOUG PIZZAC/ASSOCIATED PRESS; CHRISTOPHER RUPPEL/ALSPORT/GETTY IMAGES

"This Was the XFL," argued that for all its rowdy bluster, it was mediocre football which undid the league.

"We can build a version of football that is more appetizing to the fans," Charlie Ebersol said.

I do like one aspect of the Alliance already—they're trying to speed up the game. Watching an NFL or college contest can feel like a day-sucking slog. The Alliance is getting rid of kickoffs and onside kicks—the former a move that will also have safety benefits, Ebersol said—shaving the play clock from 45 to 30, and cutting back on commercials and other interruptions. Optimally, the Alliance wants two and a half hour football.

The Alliance's biggest innovation may come in the area of viewer experience. Ebersol wants Alliance telecasts to be fully interactive,

capitalizing on devices and the appetite for fantasy sports with in-game contests and incentives. He talks of the audience as a "partner" and insists his football games will be anything but a passive watch.

"I don't see this as just a football league," Ebersol said. "I see this as a media [company] and football league and an opportunity to make changes in the market."

It's hard to talk to Ebersol and not hear traces of his father's famous brio and taste for risk. Dick Ebersol was a master of making a big TV bet that often paid off—the XFL being a rare exception. He'll also be on the Alliance board.

And what about Vince McMahon? Charlie Ebersol's XFL doc portrayed the WWE chief as a close family friend. Ebersol said he's been working on his league

for a year and a half. But McMahon beat his unveiling—and installed his new XFL as a competitor. What was going on?

Here, Charlie Ebersol sounded...Bill Belichickian.

"We're thinking about our own organization," he said.

Oh well, it doesn't matter. My JFL/GFL is going to steamroll McMahon or Ebersol or anybody else who tries to get into the game. I'm going to play 15 minute games. I'll use robot quarterbacks. I'm going to create a Howard Cosell hologram. My refs will know what a #%% catch is.

Ebersol didn't sound too worried about my start-up.

"I wish you all the luck in the world," he said.

I don't need luck, man. I just need a name. And players. My first game is next Tuesday.

## OPINION

## Russia, the NRA and Fake News



**POTOMAC WATCH**  
By Kimberley A. Strassel

Washington in 2016 saw one of most audacious dirty tricks in political history: the Donald Trump-Russia collusion claim. Now it's happening again—same

partisans, same media; new

conspiracy, new victims,

including the National Rifle Association.

Remember how the Trump-Russia trick played? Hillary Clinton's campaign hired opposition-research firm Fusion GPS to compile a dossier of salacious Trump allegations. The Fusion team delivered it to the Federal Bureau of Investigation, then, when briefing reporters, cited the bureau's interest to establish the document's credibility. To this day the accusations in the dossier have not been corroborated.

To pull this off, Clinton partisans needed government officials willing to entertain wild claims and media willing to propagate them. Both still exist in abundance, as we now witness a new conspiracy theory elevated into news.

Starting in February 2017, media outlets began issuing stories about a Russian central banker named Alexander Torshin and a Russian gun-rights activist named Maria Butina. Most broadly claimed the duo had been cozying up to U.S. conservatives; they specifically noted that they had an interest in the NRA. What was

wierd was that so many journalists were simultaneously doing this story—among them Michael Isikoff of Yahoo News, self-described "old friend" of Fusion GPS co-founder Glenn Simpson, who was also among the first to write about the dossier—at Mr. Simpson's pitch.

This January, the House Intelligence Committee released its transcript of Mr. Simpson's November testimony, in which he regaled incredulous committee Republicans with a wild new tale—of how the Russians had "infiltrated the NRA." Fusion GPS had "spent a lot of time investigating" a "Mafia leader named Alexander Torshin" and a "suspicious" and "big Trump fan," Maria Butina. Mr. Simpson provided zero detail to back up this claim—no names, dates, money transfers or specific actions.

But never mind. The day Mr. Simpson's conspiracy-laden transcript was due to go public, McClatchy ran this headline: "FBI investigating whether Russian money went to NRA to help Trump." The story cited only two unnamed "sources familiar with the matter." The article admitted it "could not be learned" whether the FBI had any evidence involving the NRA, but it nonetheless went on at length about the group. A flurry of articles from other news organizations followed, while Democratic Sen. Ron Wyden fired off letters demanding the NRA account for itself. House Democrats jumped in, with Rep. Adam Schiff positing

"an effort by Russia to create a back channel or assist the Trump campaign through the NRA." Another flurry of articles. All still based on nothing but Mr. Simpson's infiltration claim.

In a response to Mr. Wyden, the NRA flatly denied the accusation. It explained how it scrupulously monitors its donations and noted that all its political decisions are made by U.S. citizens. It also reported it had had no contact

**Journalists propagate another wild tale from Fusion GPS's Glenn Simpson.**

with the FBI. House Intelligence Committee Democrats nonetheless last week issued a document demanding they get to continue investigating the "NRA's relationship" with Mr. Torshin and Ms. Butina as well as . . . Washington lawyer Cleta Mitchell, who hasn't done legal work for the NRA in a decade.

A few days later, the same two McClatchy reporters were out with this: "NRA lawyer expressed concerns about group's Russia ties, investigators told." It again cited two anonymous sources claiming Congress was investigating Ms. Mitchell's worries that the NRA had been "channeling Russia funds into the 2016 elections to help Donald Trump." Ms. Mitchell tells me she told McClatchy before

publication that this was false, that she has spoken to no one about the NRA's actions in 2016, and that she believes the entire NRA-Russia story line is preposterous. She asked the reporters to explain to whom she supposedly said this, when and in what context. They couldn't, but ran the story anyway. Ms. Mitchell calls it "the quintessential definition of fake news."

Ms. Mitchell notes that other news outlets backed off the story after she denied it, with one reporter agreeing in email that he did not want to "be associated with some left-wing conspiracy." A McClatchy investigative editor emailed me that since the "central assertion" of the story was that "congressional investigators are looking at information" that Ms. Mitchell said something, it didn't matter if she had denied it. The editor noted that McClatchy had published her denial, and corrected its headline to reflect that she is not a current NRA lawyer. Fusion GPS did not respond to a request for comment.

No one has provided a scintilla of evidence to support the claim the NRA was "infiltrated"—and it is appalling that it or Ms. Mitchell must defend against baseless claims. But these days all it takes to turn the most outlandish accusation into "news" is the whispers of a couple of Democratic lawmakers or an anonymous reference to the FBI. Let's see what's next.

*Write to kim@wsj.com.*

## The Democrats Abandon Catholics

## HOUSES OF WORSHIP

By Cardinal Timothy Dolan

A couple of events over the past few weeks brought to mind two towering people who had a tremendous effect on the Archdiocese of New York and the U.S. more broadly. Their witness is worth remembering, especially in this political moment.

Last Saturday's feast of St. Patrick, the patron saint of our cathedral and archdiocese, reminded me of Archbishop John Hughes. As the first archbishop of New York (1842-64), "Dagger John" displayed dramatic reverence for the dignity of Irish immigrants. Thousands arrived daily in New York—penniless, starving and sometimes ill—only to be met with hostility, bigotry and injustice.

An immigrant himself, Hughes prophetically and vigorously defended their dignity. Because the schools at the time were hostile to these immigrants, he initiated Catholic schools to provide children with a good education sensitive to their religion and to prepare them as responsible, patriotic citizens. The schools worked. Many remain open to this day, their mission unchanged.

The second event was the recent funeral of a great African-American woman, Dolores Grier. A convert to Catholicism, she was named vice chancellor of the archdiocese

three decades ago by Cardinal John O'Connor; she was the first layperson and first woman to hold the prestigious position. Grier was passionate about civil rights, especially the right to life of babies in the womb. She never missed an opportunity to defend, lovingly but forcefully, their right to life.

Grier attributed her pro-life sensitivity to the Rev. Jesse Jackson, who preached that abortion was an act of genocide against minorities. No wonder, she often observed, abortuaries were clustered in poor black and brown neighborhoods. The statistics today confirm her observation: In 2013 there were more black babies aborted in New York City (29,007) than were born here (24,758), according to a report from the New York City Department of Health and Mental Hygiene.

The values Archbishop Hughes and Dolores Grier cherished—the dignity and sanctity of human life, the importance of Catholic schools, the defense of a baby's civil rights—were, and still are, widely embraced by Catholics. This often led Catholics to become loyal Democrats. I remember my own grandmother whispering to me, "We Catholics don't trust those Republicans."

Such is no longer the case, a cause of sadness to many Catholics, me included. The two causes so vigorously promoted by Hughes and Grier—

the needs of poor and middle-class children in Catholic schools, and the right to life of the baby in the womb—largely have been rejected by the party of our youth. An esteemed pro-life Democrat in Illinois, Rep. Dan Lipinski, effectively was blacklisted by his own party. Last year, Democratic National Committee Chairman Tom Perez insisted that pro-life candidates have no place in the modern Democratic Party.

**If you value religious education or life's sanctity, you're not welcome in the party.**

It is particularly chilly for us here in the state Hughes and Grier proudly called their earthly home. In recent years, some Democrats in the New York state Assembly repeatedly blocked education tax credit legislation, which would have helped middle-class and low-income families make the choice to select Catholic or other nonpublic schools for their children. Opposing the bill reduces the ability of fine Catholic schools across the state to continue their mission of serving the poor, many of them immigrants.

More sobering, what is already the most radical abortion license in the country may

soon be even more morbidly expanded. For instance, under the proposed Reproductive Health Act, doctors would not be required to care for a baby who survives an abortion. The newborn simply would be allowed to die without any legal implications. And abortions would be legal up to the moment of birth.

The "big tent" of the Democratic Party now seems a pup tent. Annabi Wahed, a former staffer to Hillary Clinton, recently wrote in this newspaper about her experience attending the Conservative Political Action Conference. She complimented the conservative attendees, pointing out that most made her feel welcome at their meeting. They listened attentively to her views—a courtesy, she had to admit, that would not be given to them at a meeting of political liberals.

I'm a pastor, not a politician, and I've certainly had spats and disappointments with politicians from both of America's leading parties. But it saddens me, and weakens the democracy millions of Americans cherish, when the party that once embraced Catholics now slams the door on us.

To Archbishop Hughes, Dolores Grier, and Grandma Dolan, I'm sorry to have to write this. But not as sad as you are to know it is true.

*Cardinal Dolan is archbishop of New York.*

By Andrew Furman

claims of orange juice's tonic effects.

Demand began to spike in the 1930s, bolstered by enthusiasm for the newly identified Vitamin C and the industry's ingenious "Drink an Orange" ad campaign. Throughout the 20th century the industry continued responding to, and

**But the miraculous citrus is falling on hard times in Florida.**

even shaping, the capricious demands of consumers. Frozen concentrate orange juice, developed soon after World War II, promised to save housewives hours of domestic labor. Readers of a certain age will remember teasing the frozen mass out of cylindrical containers with a wooden spoon. When tastes shifted in the late 1980s—from laboratory-spawned products to

"fresh" foods—the industry began advertising "not from concentrate" juice.

Since those halcyon days, natural calamities like canker and greening have proved costly. Yet nutritionists and pediatricians may represent the greatest threat today. Sugar has replaced fat as the dominant bugaboo in America's perennial obsessiveness over what foods to avoid. Orange juice—along with other fruit juices and sodas—has become a target. Even so, in a time of heavily processed, powdered protein drinks and souped-up "water," I still put my faith in actual food. That includes fresh-squeezed orange juice.

While I've lived in Florida most of my adult life, I was raised in California's San Fernando Valley, that other orange mecca. Surviving trees from a defunct grove could be found in backyards across my subdivision. I remember my father picking oranges from our trees.

I can still taste on my tongue the impossibly sweet, sun-warmed juice.

I can't be the only one concerned that an increasing amount of the orange juice Americans consume might be sourced in Brazil and Mexico rather than Florida and California. If there's one thing the U.S. ought not to outsource, it's the food supply. Shoppers who wish to support U.S. growers ought to read those labels carefully at the supermarket and shell out a bit more money for domestic juice. I think it seemed a miracle to my parents, hailing from frigid Pennsylvania, that they could raise their own citrus trees and pick oranges to juice and enjoy over their breakfast. It sure seemed like a miracle to me, and it still does.

*Mr. Furman, a professor at Florida Atlantic University, is the author of "Goldens Are Here," forthcoming from Green Writers Press.*

## BOOKSHELF | By Moira Hodgson

## The Affair L'Étoile de Mer

## Diving for Starfish

By Cherie Burns  
(St. Martin's, 230 pages. \$26.99)

The starfish brooch is huge and heavy, the size of the palm of your hand. Its five gold rays, studded with 71 rubies and 241 amethysts, are articulated so that if you touch them they curl up, as though alive. Three versions of this pin were made in the mid-1930s by a famous Parisian jeweler. What kind of woman would wear such a splashy piece of jewelry? One was the film star Claudette Colbert. The second was the Standard Oil heiress Millicent Rogers. The third is a mystery.

Freelance journalist Cherie Burns became obsessed with the brooch after seeing one of them at a book launch for her 2011 life of Rogers, "Searching for Beauty." During the party, which was held in a private Manhattan jewelry salon, the owner took her over to a glass showcase. Ms. Burns writes, "The starfish looked real enough to climb out of the case and march up my arm. . . . It seemed not just to sparkle, but also to effervesce as if it were visibly radioactive."

She was dazzled by it, so much so that she returned the next day for another look. But the brooch was gone. Where was it? The owner of the jewelry store was tight-lipped and vague. "A jeweler in London, I think," he said before he waved good-bye and jauntily retreated down the hall to his office.

Obsessed with the starfish now, Ms. Burns was determined to try to find out more about all three brooches, who had worn them and where they had ended up. Part history, part investigative journalism, drama and intrigue, and peopled by a cast of characters worthy of "The Maltese Falcon." Like Dashiell Hammett's hard-boiled detective Sam Spade, Ms. Burns comes up against more than she had bargained for when she first set out on her search for information. Her trail takes her to London, Paris, Hollywood and Miami, turning hot and cold along the way.

She quickly discovers that the high-end jewelry business is deeply secretive and doesn't welcome even the most innocent of questions. She calls it a "shadow business." The worst sin a person in the trade can commit is to reveal the name of a buyer. Jewelry may be kept secret for tax reasons. Men usually buy it for women, and some establishments even have two entrances in case a wife and a mistress arrive at the same time.

The jeweler that created the starfish was the House of Boivin, which opened in the 1890s. In the 1930s it came out with complex, innovative creations that were a radical departure from the geometric Art Deco pieces that had been so popular in the previous decade. Boivin's designers, three women (unusual for the time), had a playful sense of humor. They made shells, sea creatures and flowers such as orchids and foxgloves—but their work wasn't sentimental. The craftsmanship established the value of the jewelry, not the gems. The pieces weren't signed—and they didn't need to be. The jewelry was an art form, the designers (who often didn't even bother to keep the drawings) immediately recognizable.

**A journalist traces the hidden history of three alluring, witty, starfish-shaped brooches and the remarkable women who wore them.**

Boivin was nothing if not exclusive. It never advertised and had no ground-floor window displays. Patrons were admitted by referral only. The look of the store was very different from the traditional silk, velvet and wood paneling of other establishments. Straw marquetry covered the walls, wood fretwork was painted to look like white enamel, and the air was filled with the aroma of sandalwood incense. The showroom was like a salon. In addition to the usual panoply of royals and socialites, the group that gathered there included Freud, Satie, Bonnard, Degas, Colette, Cocteau and Cole Porter. What did they talk about as they looked over such treasures as a chameleon brooch that could change its color with a push of its tongue?

While Ms. Burns was able to learn a great deal about Boivin's history, she had less luck when it came to information from the jeweler about its starfish. Intrigue and conjecture surrounded the provenance of its pieces, since the archive has been kept for the most part private. Nathalie Hocq, the owner of Boivin since 2000, wants to keep it that way. Françoise Cailles, the house authenticator, whose certification is needed for a sale, is equally close-mouthed: "She steadfastly refuses to show what she has, or as she explains most things, they are a secret."

The person who might have helped Ms. Burns the most in her quest was the legendary Fred Leighton. The son of a Bronx cabdriver whose real name was Murray Mondschein, he was a major presence in the world of fancy jewelry. Every great piece, it seemed, had passed through his hands, including the Millie Rogers starfish. When Ms. Burns finally runs into him, "a man in a black raincoat with a string ponytail comb-over covering his bald spots," he won't talk to her. "What's it benefit to him?" he asks unsmiling before he disappears. He died two years later.

As for Claudette Colbert's brooch, the executor of her estate tells her it may have been lost some time in the 1950s, left in a blue Pan Am bag on a seat in a waiting room. But Ms. Burns is not done yet. She asks the opinion of a former close friend of Colbert's, a crusty 88-year-old who is a major collector of Asian art. She shows him a life-size photograph of the starfish, hoping he might shed further light upon the subject. He's unimpressed. Too big and too gaudy. If he'd seen it, he says, "I would have thrown it in the fireplace."

*Ms. Hodgson is the author of "It Seemed Like a Good Idea at the Time: My Adventures in Life and Food."*

## Coming in BOOKS this weekend

Freeman Dyson in his letters • Joseph Epstein on class and capitalism • The world on the streets of Calcutta •

A new history of Roman religion • Blues, rock and soul in Memphis • Sam Sacks on new fiction • & much more

## OPINION

## REVIEW &amp; OUTLOOK

## Trump's China Tariffs

**P**resident Trump announced his long-awaited trade assault on China Thursday, and this time at least he is closer to the right target. But his decision seems unconnected to any larger trade strategy, and his main remedy of tariffs will harm American consumers and businesses as much as they will the People's Republic.

No one should be surprised by the \$60 billion in border taxes on China, given that Mr. Trump campaigned on worse. He is also responding to the genuine problem of Chinese mercantilism. China's government steals the intellectual property of U.S. companies or forces them to turn it over, and Beijing uses regulation to discriminate against foreign firms.

This might have been tolerable when China was a smaller economy trying to reform, and the U.S. made a reasonable bet in 2001 when it let China enter the World Trade Organization. The gamble was that China would continue to reform, adapt to global trade norms, and eventually become a genuine market economy.

That hope showed early promise but has become forlorn as President Xi Jinping has pushed "national champions" like Huawei and Tencent. Facebook still can't operate in China, and Tesla is punished with a 25% tariff on imported electric cars. The U.S. tariff on cars from China is 2.5%. China's predatory behavior has eroded political support in the West for the very free-trade rules that have lifted hundreds of millions of Chinese out of poverty.

\* \* \*

In typical Trumpian fashion, however, the President combines a useful focus on these practices with nonsense trade economics. He said Thursday that he's asked China to "reduce the trade deficit" with the U.S. "immediately by \$100 billion," as if that would be a political or economic victory.

The reality is that the \$375 billion annual U.S. trade deficit with China has many causes, and it is the reverse of America's capital surplus. Faster growth under Mr. Trump's policies will attract more global capital, which under national trade accounting means a *larger* trade deficit. Someone in America is buying that \$100 billion in goods, and those Americans would suffer if they suddenly couldn't.

Apple's iPhones are assembled in China, for example, but China's contribution is mainly labor. Most of the value, including the phone's design from California, is imported from elsewhere and then re-exported by China to the U.S. Yet the trade figures count most of the value of the iPhone as part of the U.S.-China deficit.

Is Mr. Trump going to impose a tariff on iPhones? Mr. Trump has given his trade rep, Robert Lighthizer, 15 days to come up with a list of tariff targets. Presumably Apple has enough clout to win an exemption.

But the tariff process is inherently political and introduces new uncertainty to investment decisions. Over time Apple and other companies could adapt their global supply chains to reduce

their exports from China, but then other countries would supply that \$100 billion in goods. The overall trade deficit wouldn't change much.

Then there's the matter of how China will retaliate. Beijing officials have easy targets among the \$130 billion in annual U.S. exports. One will be U.S. farm goods that have a large market share in China

but also have global competition. U.S. farmers sell \$12.4 billion in soybeans to China that Brazil could replace. Ditto for \$1 billion in pork exports that Canada or Europe could supply.

The collateral damage in a tariff war with China is likely to include the economies of states that supplied Mr. Trump with his Electoral College victory: Iowa, Indiana, Wisconsin, Michigan and Texas. Other victims are likely to be companies that Mr. Trump touts as the winners from his tax and regulatory reform. Boeing fell more than 5% Thursday amid investor worries about the trade fallout. China can always buy Airbus planes.

\* \* \*

Which brings us to Mr. Trump's overall trade strategy, which is hard to discern. If bad Chinese practices are his main target, then he'll need allies in Europe and Asia to present a united front. Yet the President began his protectionist barrage this year by announcing a global tariff on steel and aluminum imports. Mr. Trump then exempted Canada and Mexico, and Thursday he added the European Union, Australia, Argentina, Brazil and South Korea to the exemption list. But then why alienate these trading partners in the first place?

The economic worry is that Mr. Trump has no real strategy other than to show he's "tough" on trade. Liu He, China's main economic policy maker, visited Washington recently to negotiate on trade but found no one willing or able to make decisions.

The President's trade hawks, led by White House aide Peter Navarro, want to punish China more than they want to change its behavior. Mr. Navarro really does believe that China today is the equivalent of Germany a century ago. Mr. Trump said Thursday that this tariff action would be "the first of many."

This is the mentality that could lead to a trade war and economic damage for everyone. Equity markets reflected that worry Thursday by falling nearly 3% on the day, and 724 points on the Dow Jones Industrial Average.

If Mr. Trump is smart, he'll take this market reaction as a useful warning. Investors sent him a similar jolt when he announced his steel tariffs, and markets recovered as he allowed exemptions. But the stock rally that followed the Republican triumph on tax reform has essentially ended amid fears of a trade war.

A rising and aggressive China poses considerable risks to world order, but persuading its leaders to conform to trading norms requires more than scattershot tariffs. It demands patient, sophisticated American leadership to rally other nations to join the effort.

## John Bolton for National Security

**P**resident Trump has said he is at last assembling a Cabinet team to his liking, and late Thursday he announced that John Bolton will replace General H.R. McMaster as his National Security Adviser. It is a solid and experienced choice.

General McMaster, like others, reportedly had fallen out of favor with Mr. Trump. But there should be no doubt that General McMaster helped the President through a challenging first year, which included an array of problems inherited from the Obama Administration, not least the North Korean nuclear threat.

Mr. Bolton's critics often accuse him of belligerence and reactive saber-rattling. He is indeed direct. No listener comes away from a conversation with John Bolton in doubt about where he stands. That must include Mr. Trump, who had Mr. Bolton under consideration to be his first

Secretary of State last year and has discussed foreign issues often with him since.

The charge that Mr. Bolton can be an unguided missile misconstrues his ideas and experience. He served in the State Department during both Bush Presidencies. Under George W. Bush he created the multinational Proliferation Security Initiative in 2003, a useful effort explicitly designed to deter North Korea's efforts to smuggle weapons materials.

Those wanting an understanding of John Bolton's thinking on security issues should read the many essays he has written for these pages in recent years—most recently "The Legal Case for Striking North Korea First" on Feb. 28.

Mr. Bolton's first job will be to prepare the President for an historic meeting with Kim Jong Un. We may assume Pyongyang knows now that bluffing the U.S. won't work.

## Macron's Biggest Reform Test

**F**rench President Emmanuel Macron is facing the biggest challenge so far to his economic reform program amid nationwide strikes, and the labor disruption will get worse as the spring progresses. Having chosen this battlefield, he has to win or risk jeopardizing his entire reform agenda.

Railway workers, teachers, air-traffic controllers and other government workers walked out Thursday in the largest labor action in Mr. Macron's tenure. The strikes forced the cancellation of 30% of flights in and out of Paris, and at least half of local and long-distance train services were cut. Rail unions are threatening to strike on and off until June.

The unions are trying to defeat Mr. Macron's plan to reform employment practices at SNCF, the heavily indebted national rail operator. His plan would end lifetime employment guarantees and early retirement for new hires to boost productivity and restore financial stability as SNCF prepares to face new competition under European Union rules. Other civil servants are unhappy about Mr. Macron's goal of introducing more merit pay and contracting out some functions to private companies.

The unions also think they've sniffed a bigger political vulnerability. In a year in office Mr. Macron has pushed through the most significant overhaul of France's employment laws in at least a generation and a major cut in taxes on invest-

ment. Unions failed to rally opposition to those measures, not least because Mr. Macron campaigned and won on a promise to do all of it.

By contrast, Mr. Macron didn't campaign on the rail overhaul. And though polls show the public is broadly on Mr. Macron's side against the strikers, unions hope voters will be sufficiently surprised by his "attack" on France's beloved railways to support the union anti-reform agenda. If unions can't sway public opinion now, they may struggle to win the coming war against Mr. Macron's other promised overhauls of government employment. The biggest fight, set for later this year, concerns pension reform to consolidate an array of overly generous public retirement plans into a single benefit.

Mr. Macron did campaign on a promise to reform pensions and unemployment insurance. But he might not get the chance if he can't defeat unions on the railway showdown. He campaigned against the "insiders" whose influence has ossified France's economy, and now he has to persuade voters that this includes railway employees with jobs for life who can retire nearly a decade before most workers.

Mr. Macron has taken an enormous political risk by choosing to tackle the railways now, when more consequential reforms for which he has clear electoral support remain to be done. This is a fight he ought to win on the policy merits, and it's one he can't afford to lose.

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## OPINION

## REVIEW &amp; OUTLOOK

## Trump's China Tariffs

## Stocks fall as markets doubt the White House has a trade strategy.

## LETTERS TO THE EDITOR

## Online Market Has Matured, Should Be Taxed

Your editorial "The GOP's Internet Tax" (March 16) questioning Congress's consideration of the proposed federal law authorizing states to impose their respective sales tax on remote sellers mentions that South Dakota's sales tax has risen 30% since 2013, but fails to mention that South Dakota increased its sales-tax rate in 2016, accounting for much of this increase. You note that retailers such as Amazon already voluntarily comply with local sales obligations but don't mention that over one-half of the commerce on Amazon's website is sold by a third party and that such third parties aren't subject to this voluntary agreement. A number of local retailers in my legislative district, the growing and vibrant community of Sioux Falls, have closed in the last two years. Although there were many factors, the unfair competition from remote sellers exempt from the combined state and local sales-tax rate of 6.5% was certainly one.

South Dakota has the second-lowest amount of general state revenue per citizen of the 50 states; we are a low-tax, business-friendly jurisdiction. We expect business to compete on an even, fair playing field. Having an evenly applied sales-tax obligation on all retailers would allow South Dakota to provide for a fairer competitive environment while maintaining our low-tax, business-friendly climate.

G. MARK MICKELSON  
Speaker, South Dakota  
House of Representatives  
Sioux Falls, S.D.

You contend that small businesses lack the resources to know how much tax to collect given different sales-tax rates and lists of taxable items from state to state. But as we wrote in a brief filed with the U.S. Supreme

Court, "technology has simply eroded" that concern since the *Quill* decision was handed down in 1992. A variety of software is available today to automatically calculate the tax owed, much of it available free or at low cost. The calculation is no more burdensome than knowing how much shipping to charge.

Furthermore, the legislation supported by the retail industry—including both local and online sellers—wouldn't apply to truly small businesses, exempting those with less than \$500,000 in annual sales. The bill proposed by Rep. Bob Goodlatte that you favor is complex and confusing and wouldn't create the true level playing field sought by our industry.

You also say that online sales-tax collection amounts to "raising taxes." In fact, consumers who don't pay sales tax at time of purchase are already legally required to report the purchases and pay "use" tax instead, and are at risk of audit or prosecution if they don't.

As an organization that represents both bricks-and-mortar and online sellers of all sizes, we believe the time has come for all retailers to play by the same tax rules regardless of whether they sell and deliver their merchandise in a store, through the mail or over the internet.

MATTHEW SHAY  
President and CEO  
National Retail Federation  
Washington

Article 1, Section 9 of the Constitution says, "No Tax or Duty shall be laid on Articles exported from any State." It is not clear how Congress, or the Supreme Court, can sidestep this simple protection.

ANSON J. GLACY JR., CFA  
New York

## Toys 'R' Us Didn't Die, It Was Suffocated

Regarding "Toys 'R' Us Set to Close All U.S. Stores" (Business, March 15) and "Chain of Nursing Homes Files for Chapter 11" (Business, March 6): The Toys "R" Us and HCR ManorCare bankruptcies in recent weeks are perfect examples of how private-equity firms are buying companies, saddling them with excessive debt or spinning off real estate to pay themselves cash dividends, and then declaring bankruptcy.

Creation and destruction of enterprises is part and parcel of free-market capitalism, and private ownership can in theory free management to think long term and take the hard decisions needed to make a business successful.

However, due to the greed or ineptitude of private-equity firms in an age of cheap debt, they don't seem to be capable of actually reviving failing companies. In most instances, it seems these firms do the reverse and destroy companies that could be saved by bringing in better management and the discipline of private ownership.

It would be interesting to see how many success stories private-equity firms can point to for reviving failing businesses versus the typical story of

excessive debt, self-dealing dividends and payouts and bankruptcy leading to tens of thousands of job losses for average Americans.

RAM KELKAR  
Chicago

It is a true loss to have an iconic brand like Toys "R" Us decline into bankruptcy and liquidation, but let's not buy the poor holiday season and vendor issues as a driver of this loss.

This merely exposes the risk of a leveraged buyout with the lead weight of enormous debt pulling it under.

Would the result be the same with a sound balance sheet with a strong equity base and the liquidity available from safely leveraging a great brand name, customer loyalty and a strong net worth?

High risk and high reward sometimes equals crash and burn. It is too bad that 33,000 employees and millions of customers also lose along with the private-equity funding that flew a good company into a mountain of debt.

JEFF SOLBERG  
Bonita Springs, Fla.

## Lay Off, Notre Dame Hasn't Become Pagan

As a Notre Dame graduate and life-long Catholic, I find Alexandra DeSanctis's criticism of the university's recent decision to provide "simple contraceptives" to employees and students through its health-insurance program to be rigid and arrogant ("Notre Dame Becomes a Bit Less Catholic," Houses of Worship, March 9).

While briefly acknowledging that Catholic teaching on moral matters emphasizes an individual's primacy of conscience, Ms. DeSanctis insists that Notre Dame abdicated its status as an authentic Catholic campus by covering some types of birth control through medical insurance. Obviously, neither employees nor students, some of whom aren't Catholic, will be forced to accept or use birth-control items available through university insurance. They will be free to reject them as their own informed consciences may suggest.

Happily, Notre Dame seems to recognize that Catholic teaching about birth control has been a source of major controversy among Catholics at least since Vatican II, with surveys showing that Catholics are no different than other groups in supporting the appropriate use of its many forms.

To say that Notre Dame "caved in" and may have "abused the legal process when it sued the Obama administration for relief" from the ObamaCare contraception mandate is extreme at best. Instead, Notre Dame has demonstrated an adult respect for the exercise of individual conscience by its employees and students while still providing universitywide forums for discussion of dissimilar moral views among Catholics and others on the topic of birth control. Notre Dame will continue to be a thoroughly Catholic pre-eminent university.

JOHN LEDDY  
Naples, Fla.

## Pepper ... And Salt

THE WALL STREET JOURNAL



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ANTHONY CREBBIN  
Kansas City, Mo.

## OPINION

# The University of Denial

By Amy L. Wax

**R**eality is that which, when you stop believing in it, doesn't go away," observed Philip K. Dick in "I Hope I Shall Arrive Soon."

Somewhere deep in a file drawer, or on a computer server humming away in a basement, are thousands upon thousands of numbers, with names and identities attached. They're called grades. They represent an objective reality, which exists independent of what people want reality to be. They sit silently, completely indifferent to indignation, angry petitions, irritable gestures, teachers' removal from classrooms—all the furor and clamor of institutional politics.

**Aggressive suppression of the truth is a central feature of American higher education.**

Those numbers are now solely within the control of the individual students who earn them and the educational institutions that generate them—powerful entities ruled by bureaucracies that serve as gatekeepers to privileged positions in our society. They are jealously guarded, protected by cloaks of confidentiality and secrecy. But they are what they are. Hiding facts is not the same as changing them.

**EAST IS EAST**  
By Sadanand Dhume

Mumbai Is Narendra Modi beatable in next year's national elections? A few months ago, the prime minister's grip on Indian voters appeared so firm that the question barely seemed worth asking. But after a string of defeats for the ruling Bharatiya Janata Party in the populous Hindi heartland, Mr. Modi no longer appears a shoo-in.

Earlier this month, two rival caste-based parties cobbled together an unlikely alliance that wrested two parliamentary seats from the BJP in Uttar Pradesh, India's most populous state. The seats had become vacant after sitting BJP members moved to the state legislature following the party's crushing victory in state elections last year. These opposition triumphs barely change the balance of power in Parliament, where the BJP and its allies enjoy a comfortable majority. But they give the opposition a confidence boost.

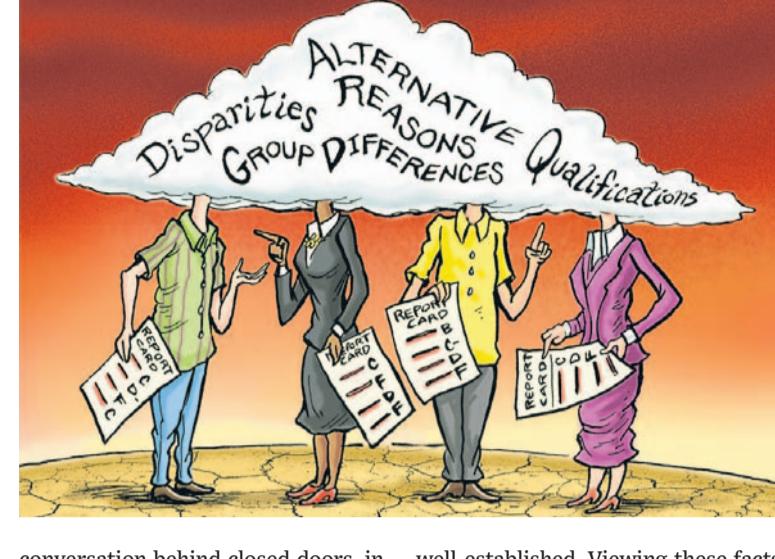
One of the two seats the BJP lost, the party stronghold of Gorakhpur,

of course the numbers can be ignored. When it comes to grades—which measure students' knowledge, proficiency and achievement—we can declare they don't matter and that complete nondisclosure is therefore a wise course.

The problem is that students, including law students, go out into the real world. They are hired, paid and expected to perform, and their actions have real consequences for others. Whether we like it or not, grades help predict future performance. Some social actors acknowledge this, implicitly or overtly. As a law professor, I observe, for example, that federal judges unapologetically select clerks based on academic record and rank, and that elite law firms are also highly grade-conscious.

Another reason measures of academic performance are hard to ignore is that students often expect equality of results and—especially in our identity-conscious world—isue loud demands for equality in group outcomes. When that doesn't happen, frustration and disappointment ensue, followed by charges of racism, sexism and other forms of discrimination.

These accusations are bound to provoke concern from the accused, especially those who deny that bigotry is the chief cause of certain inequalities by pointing to possible alternatives—including group disparities in qualifications, skills, performance or life choices. Keeping key documentation about the sources of disparities out of view does not prevent people from discussing them and their consequences. They are a regular topic of



CHAD CROWE

conversation behind closed doors, in offices and hallways, around kitchen tables, in living rooms and in private correspondence.

But what everyone currently understands, and recent events reinforce, is that these conversations may not take place publicly or even be acknowledged openly. My students know that. So do working lawyers and judges, and everyone else trying to run institutions, decide cases, serve clients, and make a buck. So do employers and other citizens, including many people, young and old, from around the country who have deluged me with letters, phone calls, and emails setting out forthright, common-sense observations, such as this one: "The facts about the comparative performance of the different groups on [for example] the bar, medical boards, SATs, MCATs, LSATs etc. are

well-established. Viewing these facts as offensive will not make them go away."

The mindset that values openness understands that the truth can be inconvenient and uncomfortable, doesn't always respect our wishes, and sometimes hurts. Good feelings and reality don't always mix. But there is a price to be paid for putting the quest for psychological comfort over openness on matters central to how our society is organized. While some people benefit from the favored view, others lose out. People accused of bigotry and discrimination—claims that are more pervasive than ever—are understandably unhappy about being deprived of the ability to defend themselves by pointing to alternative reasons for group differences. Hoarding and hiding information

relevant to such differences, which amounts to predetermining a verdict of "guilty as charged," violates basic principles of fair play and gives rise to justified resentment.

Universities, like other institutions, scheme relentlessly to keep such facts from view. Yet although the culture war is now tilted against those accused of discrimination, politics persists, and frustration tells at the ballot box. The deeper price is that people come to believe that truth yields to power, and that political pressure should be brought to bear to avoid inconvenient realities.

Some in this camp claim benign motives. They seek to safeguard the feelings of those who might be distressed by public knowledge. One can argue about when, how and in what form the disclosure will best balance personal privacy and our society's need to know. But when facts are concealed, they do not change. They have consequences whether or not we are prepared to face them.

That belief that political force determines objective reality has characterized totalitarian regimes worldwide and throughout history—regimes that are responsible for untold amounts of human misery. That mindset is dangerously inconsistent with the kind of free society Americans have painstakingly built and defended over many centuries, at the cost of blood and treasure. Perhaps we no longer want such a society. But we relinquish it at our peril.

*Ms. Wax is the Robert Mundheim Professor at the University of Pennsylvania Law School.*

## Narendra Modi Isn't Quite a Shoo-In for Re-Election in 2019



**EAST IS EAST**  
By Sadanand Dhume

Mumbai Is Narendra Modi beatable in next year's national elections? A few months ago, the prime minister's grip on Indian voters appeared so firm that the question barely seemed worth asking. But after a string of defeats for the ruling Bharatiya Janata Party in the populous Hindi heartland, Mr. Modi no longer appears a shoo-in.

Nor have the BJP's recent troubles been confined to Uttar Pradesh. Since February, the party has also lost parliamentary and state legislative by-elections in Rajasthan, Madhya Pradesh and Bihar. Together these four Hindi belt states account for nearly a third of 543 seats in the lower house of Parliament. Four years ago, the BJP stormed to power in large part by virtually sweeping them.

The opposition now has a story to tell. As it goes, Mr. Modi has failed to deliver the *ache din*—"good days"—that he promised. Job growth remains sluggish. As private-sector opportunities fail to materialize, even traditionally dominant castes have taken to the streets in several states demanding quotas in government jobs.

The Modi government's hare-brained decision in 2016 to invalidate suddenly nearly 90% of India's currency by value crushed the working poor while doing little to trouble the

corrupt cash hoarders it was meant to target.

Though the government has escaped being tarred by a major corruption scandal, it has become hard for it to argue that it has vanquished the problem. Earlier this year, a high-profile jeweler, Nirav Modi—no relation to the prime minister—scooted overseas after allegedly defrauding a state-owned bank of \$1.8 billion.

**The opposition has a case that his economic policies have failed to deliver on his promise of 'good days.'**

Entrepreneurs complain about a convoluted goods-and-services tax introduced last year. The World Bank recently called it among the most complex taxes of its kind in the world, and with the second-highest rates.

Meanwhile, harsh new rules on cattle sales have hurt many farmers and damaged dairy and leather businesses that employ millions of people. In north India, the Hindu

nationalist obsession with beef has sparked several high profile mob lynchings of Muslims accused of eating it or of transporting cattle for illegal slaughter.

To sum up the opposition narrative, four years ago Indians elected Mr. Modi to deliver development. Instead they got economic mismanagement and religious zealotry. If an electoral wave gave the prime minister India's first single-party majority in 30 years, then a counterwave could just as easily depose him.

How likely is it? At this point Mr. Modi still appears to be the frontrunner. Over the past four years the BJP has emerged as India's dominant political party, and Mr. Modi as its most popular politician. Parliamentary by-election losses notwithstanding, the BJP has continued to conquer new territory. Barely 10 days before the shock defeats in Uttar Pradesh, the BJP and its allies captured power in three small states in the northeast, including two with large Christian majorities.

Currently the BJP and its allies control 20 states, which account for nearly two-thirds of India's population and nearly 55% of economic output. By contrast, the opposition Congress Party and its allies run only

four states, with 7.5% of India's population and about 11% of gross domestic product.

Should Congress lose the southern state of Karnataka later this year, it will not control a state that houses any of India's 20 largest cities. As elections become more expensive, Congress may find it difficult to compete with a well-funded BJP.

The BJP also benefits from the grass-roots strength of the Hindu nationalist Rashtriya Swayamsevak Sangh and its army of khaki-clad volunteers. Party president Amit Shah has built a reputation for the strongest "ground game" in Indian politics.

Control of the national broadcaster, and support from a clutch of breathless propaganda channels and fake news sites give the BJP the power to shape the national conversation that it once lacked. And although WhatsApp jokes about Congress president Rahul Gandhi have subsided of late, many middle-class Indians continue to view the 47-year-old Mr. Gandhi as too callow for high office.

As 2019 approaches, there's no doubt Mr. Modi has handed his opponents a club. Whether they can wield it effectively is an open question.

## For Some Class-Action Lawyers, Charity Begins and Ends at Home

By Ted Frank

If an attorney raids a client's settlement money, he'll get disbarred and could go to prison for embezzlement. But if the same attorney raids settlement money from a class-action suit, charities may laud him and courts award him millions of dollars. My colleagues and I are asking the Supreme Court to put an end to the abuse of a trust-law doctrine known as *cy pres*, under which class-action lawyers have funneled millions of dollars of settlement money to select charities.

In French, *cy pres* (pronounced see-PRAY) means, roughly, "as near as possible." As a legal doctrine it typically applies to charitable trusts that have outlived the cause or issue they were originally established to address. Under *cy pres*, for instance,

the March of Dimes could turn its focus to other childhood diseases once polio was eradicated. While appropriate in the trust context, *cy pres*'s application to class-action suits enables attorneys to bilk their clients by claiming it would be too difficult to distribute the money to class members.

Right away there is a conflict of interest. Any attorney with a choice between sending out a million \$5 checks to clients he's never met or being part of a ceremony to hand over oversize \$1 million novelty checks to five of his favorite charities—and receiving a full fee either way—will have a strong incentive to leave the clients with nothing. That's exactly what happened in the case we're asking the justices to take up.

Paloma Gaos filed a class action in 2010 in the Northern District of

California over Google's practice of divulging consumers' search queries to third-party websites. The plaintiffs' lawyers alleged that because this search data could be traced back to the individual, Google had violated federal privacy laws that provide statutory damages of \$1,000 per violation. If the plaintiffs had a real case, the damages would be in the trillions of dollars. But the lawyers must not have thought much of their claims—they settled for a paltry \$8.5 million.

Because of *cy pres*, however, that number is entirely imaginary. Under the settlement, class members get nothing and Google makes no material change to its practices—but the attorneys collect more than \$2 million. The rest of the money is going to a variety of charities affiliated with Google and the plaintiffs' attorneys, essentially allowing the

lawyers to double-dip in the settlement fund. Class counsels Michael Aschenbrener and Kassra Powell Nassiri graduated, respectively, from Chicago-Kent and Harvard Law. Both institutions happened to receive funds in the settlement.

**They funnel millions in settlement money to select causes—including their own alma maters.**

Tech companies that settle class actions often tacitly collude with plaintiffs' attorneys to funnel money to the defendants' preferred charities. In such cases the "relief" to the class can be entirely illusory, because the money would likely

have gone to those charities even without a settlement. Worse, a judge might have designs on what has become essentially a slush fund, and encourage the parties to steer money to his own particular favorite charity—as happened in yet another Google case, in which now-retired federal district judge James Ware rewrote the settlement to direct \$500,000 to Santa Clara Law School, where he taught. The money went to fund a center for ethics.

The Ninth U.S. Circuit Court of Appeals approved the Google settlement my firm challenged because it thought actually distributing the money to such a large class would be too difficult. But under the new standard they created, almost any class-action lawyer can claim the same thing. When other appellate courts have applied the correct standard and agreed that attorneys shouldn't get paid unless their clients do, lawyers have magically discovered ways to get money to class members, even when the payment per class member was as small as it is in our current case. Incentives work.

A bipartisan coalition of 16 state attorneys general is also urging the Supreme Court to hear *Frank v. Gaos*. They agree that the Ninth Circuit has created a standard that will make it far too easy for attorneys to siphon millions of dollars of consumers' money into their own slush funds. Chief Justice John Roberts has previously expressed concern about *cy pres* abuses. We hope the Supreme Court will protect consumers who take part in class actions from being preyed upon by their attorneys.

*Mr. Frank is an attorney at the Competitive Enterprise Institute.*

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## Notable & Quotable: Batman

*From "Dear Madam President: An Open Letter to the Women Who Will Run the World," a campaign memoir by Jennifer Palmieri, excerpted at Time.com, March 21:*

Earlier in the summer, Hillary, Senator Tim Kaine, his wife, Anne Holton, and I laughed over the absurdities we encountered in the campaign, talking on our bus one morning in Harrisburg, Pa. I told them the campaign felt like a Batman-movie version of a presidential campaign—Christopher Nolan-style. Both candidates were from Gotham. Trump was our lead villain but had help from side characters like [Vladimir] Putin and [Julian] Assange. We had other characters who, like Catwoman, were sometimes on our side, sometimes not. I put

[James] Comey in this category. President Obama was Commissioner Gordon. And the fate of the world hung in the balance.

It was a funny comparison in July. In October, it almost felt too apt to be considered a metaphor. The trial was a scary place.

Emotions were running so high in the country that I feared there was going to be some violence before the election. I even half-jokingly said to Hillary one day in October that it was beginning to feel like we were upsetting some cosmic natural balance by seeking to "upend the patriarchy." I didn't really believe it, of course, but a large part of the country seemed to believe Hillary represented an existential threat to the proper

## WORLD NEWS

# Demand for U.S. Sperm Soars in Brazil

Single women and lesbian couples are turning to primarily white U.S. donors

BY SAMANTHA PEARSON

SÃO PAULO—With “jewel-toned eyes,” blond hair and a “smattering of light freckles,” Othello looks nothing like most Brazilians, the majority of whom are black or mixed-race. Yet the “Caucasian” American cashier, described in those terms by the Seattle Sperm Bank and known as Donor 9601, is one of the sperm providers most often requested by wealthy Brazilian women importing the DNA of young U.S. men at unprecedented rates.

Over the past seven years, human semen imports from the U.S. to Brazil have surged as more rich single women and lesbian couples select donors whose online profiles suggest they will yield light-complexioned and preferably blue-eyed children.

Brazil is one of the fastest-growing markets for imported semen, said Michelle Ottey, laboratory director of Virginia-based Fairfax Cryobank, a large distributor and the biggest exporter to Brazil. More than 500 tubes of foreign semen frozen in liquid nitrogen arrived at Brazilian airports last year, officials and sperm-bank directors said, up from 16 in 2011.

U.S. sperm-bank directors said preferences like those of Brazilian purchasers hold across their global market. “The vast majority of what we have and what we sell are the Caucasian blond-haired, blue-eyed donors,” said Fredrik Andreasson, CFO of Seattle Sperm Bank, which provides about a quarter of Brazil’s imports.



The mixed racial makeup of Brazil contrasts starkly with the country's sperm imports from overwhelmingly white American donors.

sign is—that’s it,” said Alessandra Oliva, 31, of the information available on local donors. She has 29 pages of information on the American father of her 14-month-old son, from a photo of him as a child to genetic tests for cystic fibrosis.

Globally, 5% to 8% of sperm sales are from donors who identify as black, said Ms. Ottey of Fairfax Cryobank. Brazil, however, buys almost all of its imported sperm from donors characterized as Caucasian, with a smattering of Asian or Latino donors, according to Brazil’s health-care regulator, Anvisa. Almost a third of the specimens are from blond donors, and 52% from men with blue eyes.

The trend speaks in part to social changes in Brazilian society. Success in reducing gender inequality means more women are pursuing professional careers and delaying childbirth. Some have little time or inclination to find husbands, and many can afford to raise a child alone. Meanwhile, more lesbian couples are seeking sperm donors after recent regulatory changes made it easier to register a child in both of their names.

In 2016, heterosexual couples bought 41% of Brazil’s imported sperm, single women purchased 38%, and lesbian couples bought 21%, but demand is growing fastest among the latter two groups.

Eduardo Motta, a director at the Huntington fertility clinic here, said his well-off patients often insist on blue-eyed donors because they see that characteristic as a surefire way to get a donor that “doesn’t put in jeopardy the color of the skin.” White heterosexual couples consider this important, he said, when an infertile husband plans to pass the child off as his own.

## Favored Offspring

Sperm buyers in Brazil, which is more than 50% black or mixed-race, have an overwhelming preference for white, blue-eyed donors.

### Brazil's semen imports from the U.S., 2014-16

By donor's ancestry	Eye color	Hair color
White	95.4%	Blue
Latino	1.8	Brown
Mixed	1.5	23.7
Asian	1.2	Green
Black	0.2	Hazel
		Black
		0.1
		Red

Source: Brazil's national health surveillance agency

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colonizers and immigrants—many of whom were lured to Brazil in the late 19th and early 20th centuries when the ruling elite explicitly sought to “whiten” the population—control most of the country’s political power and wealth.

In such a racially divided society, having fair-skinned offspring is often viewed as a way to provide a child with better prospects, from a higher salary to fairer treatment by the police.

Money is also a factor set-

ting parameters for the DNA import boom. Carefully categorized and genetically vetted sperm from U.S. providers has to be procured from Brazilian fertility clinics at a cost of some \$1,500 a vial, often as part of an in vitro fertilization procedure that costs roughly \$7,000 an attempt. Whites are more likely able to afford that in a country where about 80% of the richest 1% are white, according to Brazil’s statistics agency.

Imports are rising in part because many Brazilians simply don’t trust the national product. Unlike in the U.S., it is illegal to pay men to donate their sperm here, so domestic stocks are low and information about Brazilian donors sparse.

“It basically says ‘brown eyes, brown hair, likes hamburgers’ and what their zodiac

# Nafta Negotiators

BY PAUL VIEIRA  
AND WILLIAM MAULDIN

American, Canadian and Mexican officials are signaling they have cleared a roadblock on auto-industry issues that have been some of the thorniest in talks to overhaul the North American Free Trade Agreement.

U.S. Trade Representative Robert Lighthizer struck a conciliatory tone on Wednesday in testimony before Congress on the auto proposal, which includes the U.S. demand that a revised Nafta require light vehicles to contain 50% U.S. content to cross U.S. borders duty-free.

Mr. Lighthizer told members of the House Ways and Means Committee the U.S. auto proposal—widely seen as the most contentious issue in the negotiations—is meant to draw more manufacturing jobs back to the U.S., especially from Mexico. He added Canada likely has a similar objective, since its manufacturing sector has lost capacity to lower-cost jurisdictions such as Mexico.

“Our hope is we get something that some of the large manufacturers will find useful,” Mr. Lighthizer said. As for talks among the three Nafta countries on autos, “we are trying to work our way through that,” he said. “And I think we are in a position where we are starting to converge.”

A breakthrough on autos could put the parties on track



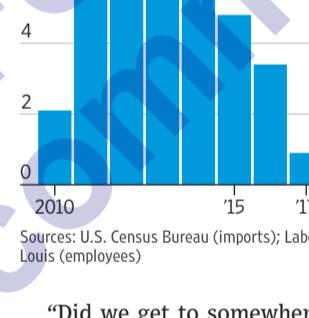
Employees at a Volkswagen car plant in Puebla, Mexico.

# See Progress on Auto Rules

## Rising Tide

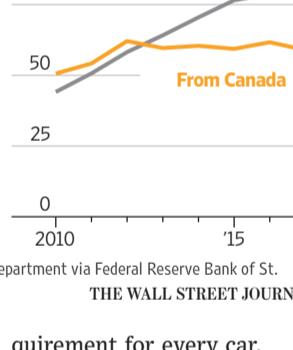
Growth in the number of Americans employed in the auto industry has slowed while U.S. imports of vehicles and parts have risen.

### U.S. auto and parts workers, change from previous year



Sources: U.S. Census Bureau (imports); Labor Department via Federal Reserve Bank of St. Louis (employees)

### U.S. imports of passenger cars and parts



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“Did we get to somewhere where you could shake hands and say, ‘We’ve got a deal?’” he said. “Absolutely not. But I took it as being a positive thing that they had another way of getting at that issue.”

Mr. MacNaughton said the ideas build on proposals Canadian officials presented in January to broaden the definition of what could be counted toward U.S. content, including items such as software, technological components, and raw materials like steel. He also said the recent American proposals could help the U.S. achieve its goal of safeguarding auto production there, potentially without a strict American-made content re-

quirement for every car.

A senior Mexico official this week also pointed to a more compromising tone on the auto issue, saying the parties were weighing proposals that don’t necessarily require national content. Mexico’s Economy Minister Ildefonso Guajardo plans to meet with Mr. Lighthizer before Easter and ahead of the next round of talks, tentatively scheduled for April 8, one Mexican official said.

Mr. Guajardo said last week that rules of origin for the automotive sector would have to change in the renegotiation of Nafta. Current rules aren’t sustainable, he said, as they were defined nearly 26 years ago based on 1992 model cars.

Negotiating parties have expressed concerns that Mexico’s July presidential vote could alter the pace of talks.

At the end of the latest round of Nafta talks in Mexico earlier this month, Mr. Lighthizer said officials from the three countries had “a month or a month and a half or something” to get an agreement in principle. Mr. Guajardo said last week that the three countries need to reach a deal by the end of April, or they might extend talks until late 2018 because of the Mexican and U.S. votes.

Leftist nationalist Andrés Manuel López Obrador, the presidential candidate who currently leads Mexican polls by a wide margin, warned on Tuesday that negotiations shouldn’t conclude before July’s election.

The Trump administration might also want a quick end to the Nafta talks in view of Thursday’s announcement on trade actions against China, according to one trade analyst.

The U.S. “will need all its trade resources on China and not on fighting North America,” said Eric Miller, global fellow at the Washington-based Wilson Center.

—Santiago Pérez contributed to this article.

# Malaysia Struggles In Kim Case

BY JAKE MAXWELL WATTS AND YANTOULTRA NGUI

SHAH ALAM, Malaysia—Six months into the trial of two women accused of murdering the half brother of North Korea’s leader, prosecutors have yet to establish a clear motive—raising the prospect no one will be convicted.

The chief investigator had to defend his case against an increasingly glaring weakness—the absence of the main North Korean suspects, who escaped after the killing.

Wan Azirul Nizam Che Wan Aziz has become the face of a beleaguered prosecution struggling to identify a motive for the only suspects arrested. The women say they were aspiring actresses manipulated into murdering Kim Jong Nam on Feb. 13 last year at Malaysia’s main airport, as part of an intricate hoax.

The slaying added fuel to a U.S. drive to isolate North Korea and its leader, Kim Jong Un, to counter its worsening nuclear menace.

The investigator, Mr. Wan Azirul, said Thursday he didn’t agree with the defense that the absence of the four North Koreans suspected of orchestrating the killing would prejudice the trial of the two, who face the death penalty if convicted.

# WORLD WATCH

## EUROPEAN UNION

### Leaders Back U.K. Over Spy Poisoning

European Union leaders pointed the finger of blame at Russia over the poisoning of a Russian former double agent in Britain, backing U.K. Prime Minister Theresa May’s claim that there was no other plausible explanation.

In a significant show of solidarity with Britain, EU leaders set aside their internal differences over Russia and lined up with the U.K. amid one of Britain’s biggest foreign-policy tests in years. Thursday’s response will reinforce hopes that even after Brexit, Europe and the U.K. can maintain a strong defense and security partnership.

“The European Council condemns in the strongest possible terms the recent attack in Salis-

bury,” EU leaders said in their statement. “It agrees with the United Kingdom government’s assessment that it is highly likely that the Russian Federation is responsible.”

For now, new EU-wide sanctions aren’t on the table but the bloc’s leaders signaled that could change if Russia doesn’t cooperate with investigations into the attack.

—Laurence Norman and Jenny Gross

## SYRIA

### Rebels Begin to Leave Suburb of Capital

A first wave of more than 1,500 Syrian rebel fighters began leaving the Damascus suburbs, in what could mark a decisive moment in the Assad regime’s monthlong campaign to secure the capital.

The evacuation in Harasta on Thursday is the first of its kind since the rebel enclave of Eastern Ghouta was besieged by Syrian regime forces in February, forcing thousands of civilians to flee a relentless ground assault.

It brings the regime of Syrian President Bashar al-Assad, backed by Russia and Iran, within reach of capturing the area and eliminating the main opposition bastion near Damascus. Mr. Assad has been gaining ground for months, seeking to consolidate territorial control in Syria.

As part of an evacuation agreement, the rebels released about a dozen prisoners to the government. But the rebels said they hadn’t participated in any actual negotiation and had accepted the offer to evacuate under pressure only from heavy bombardments of civilians.

—Sune Engel Rasmussen



Syrian rebel fighters and family members began to leave Harasta, Syria, near Damascus, on Thursday, as the Assad regime moved to secure control of the capital and surrounding areas.

AMMAR SAFARJALANI/XINHUA/ZUMA PRESS

# BUSINESS & FINANCE

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## U.S. and AT&T Square Off at Trial

Antitrust case against the \$85 billion deal for Time Warner opens in D.C. court

BY BRENT KENDALL  
AND DREW FITZGERALD

WASHINGTON—The Justice Department and AT&T Inc. traded legal jabs Thursday as a federal judge opened proceedings on whether the telecom giant's planned purchase of Time Warner Inc. violates antitrust laws.

U.S. District Judge Richard Leon said little while the government and the companies spent about 90 minutes of opening arguments attacking the opposing side's legal position.

The Justice Department, which is seeking to block the \$85 billion deal, said the

merger could mean at least \$400 million in pay-TV price increases for viewers because AT&T, which owns the DirecTV satellite service, would have newfound marketplace leverage if it folds in Time Warner's stable of programming, including the Turner networks and HBO.

"If the merger goes forward, consumers all across America will be worse off as a result," said Justice Department lawyer Craig Conrath.

AT&T and Time Warner lawyer Daniel Petrocelli called the government's claims "preposterous" and "dead wrong," saying the case was simple because the Justice Department couldn't offer proof that the deal would lessen competition.

"It is a case where there is only one just, clear-cut outcome, and that is to deny the government's case to block

this historic merger," Mr. Petrocelli said.

The fireworks came on the first official day of a trial that could take six to eight weeks.

People lined up in snow-covered D.C. early Thursday morning for a chance to witness the start of the proceedings. The crowd filled two courtrooms and included the companies' chief executives, AT&T's Randall Stephenson and Time Warner's Jeff Bewkes, as well as U.S. antitrust chief Makan Delrahim.

Both sides used their opening presentations to emphasize key points they made in written legal briefs submitted ahead of the trial. They also revealed new details for the first time publicly and hinted at their strategic focus.

The Justice Department argued a postmerger AT&T would use Turner's valuable channels to wring higher

prices out of rival cable providers who need that programming for their packages. The government also argued AT&T would try to deter emerging online rivals who are offering pay-TV packages at cheaper prices.

executive the service would be "crap" if it didn't carry Turner's networks. (Mr. Conrath said Mr. Martin used a more profane word best kept out of the courtroom.)

Sling TV today offers two basic \$20-a-month TV packages, both of which carry Turner channels.

Google's YouTube TV offered more proof of Turner's power, the Justice Department lawyer said. The cablelike streaming service launched last year without channels like CNN, TBS and TNT. "Guess what happened next. It turned out that apparently launching without Turner content didn't work out that well," Mr. Conrath said, and YouTube TV added them to the package in February.

AT&T's Mr. Petrocelli, in turn, said the deal would allow the companies to compete

Please see AT&T page B2



STEPHEN LAN/REUTERS  
**Mark Zuckerberg**

## Zuckerberg Sees Limits To Probe at Facebook

BY DEEPA SEETHARAMAN

**Facebook** Inc.'s investigation into outsiders' handling of its users' information will help identify and deter bad actors but won't be able to uncover where all the data ended up and how it is being deployed, Chief Executive Mark Zuckerberg said Thursday.

Facebook will examine tens of thousands of apps that collected large amounts of user data, an effort that may cost "many millions of dollars," Mr. Zuckerberg said in an interview.

Facebook will dispatch auditors to analyze the servers of developers who scooped up a suspicious amount of data and interrogate them about their business practices. It isn't clear how many apps will need audits—which Facebook expects will be most expensive part of the process—and Facebook still doesn't know whether its investigation will take a matter of months or longer to complete, Mr. Zuckerberg said.

"Like any security precaution, it's not that this is a bulletproof solve," Mr. Zuckerberg said. "It's not that any process by itself is ever going to find every single thing," but it will be a strong deterrent to stop developers who are "doing bad things" and help Facebook track down what users' data was mishandled, he added.

"The real point of what we're trying to do is to make it a lot harder for anybody to misuse the data," he said.

The comments underscore the challenge confronting Facebook as it seeks to quell a controversy that has knocked its stock price lower and triggered renewed calls for governments to better regulate technology businesses that hold mountains of information about their users. It is notoriously difficult to track down and secure personal information.

Please see DATA page B4

## Wynn Sells Entire Holding In Empire

BY CHRIS KIRKHAM  
AND KATE O'KEEFE

Steve Wynn sold his entire stake in Wynn Resorts Ltd. on Wednesday and Thursday, the company said, the final step in a dramatic exit after female employees made allegations of sexual misconduct against the casino giant's co-founder.

The sale of \$2.1 billion worth of stock over two days followed a series of moves he and the company made in recent weeks to allow Mr. Wynn to untangle himself from the casino corporation amid a series of investigations by state gambling regulators.

Until Wednesday, Mr. Wynn had been the company's largest shareholder, owning about 12% of its stock.

That day Mr. Wynn sold 4,104,999 shares of common stock in open market transactions at \$180 a share, Wynn Resorts said in a Thursday filing, for a combined \$738.9 million. Wynn Resorts had said earlier on Wednesday that Mr. Wynn "intends to sell all or a portion" of his stock.

On Thursday evening the company said two existing institutional shareholders purchased Mr. Wynn's remaining 8 million shares, for a combined \$1.4 billion. A company spokesman did not respond to a request for comment on which investors bought the shares.

It was also unclear Thursday evening who the company's largest shareholder is. As of Thursday morning, before Mr. Wynn sold off the remainder of his stake, his ex-wife, Elaine Wynn, would have been the largest shareholder with a 9.3% stake in the company, followed by Vanguard Group, which owned 8.5%.

The sales by Mr. Wynn had earlier been restricted by a complex shareholder agreement with two other parties.

Wynn Resorts also announced Thursday that Hong Kong-listed casino operator Galaxy Entertainment Group has agreed to purchase 5.3 million shares of Wynn Resorts at \$175 each, resulting in \$927.5 million in gross proceeds for the U.S. company. The purchase of these new shares will give Galaxy a 4.9% stake in Wynn Resorts, which competes against Galaxy in the Chinese territory of Macau, which is the world's largest gambling hub and Wynn's most important market.

Grant Goertsen, an analyst at Macau-based Union Gaming, praised the move as strategic in a note. "We think the market was largely ignoring the significant risks to the Wynn Macau licenses should the company continue to operate as is without a takeover or sign."

Please see WYNN page B10

## Policy Shift Is a Win for Drugmakers

BY JOSEPH WALKER

The Trump administration has issued a policy change that could drive up prices of certain biologic drugs, implementing a new industry-backed measure that overturns an existing regulation that promoted lower prices.

The move came after months of intense lobbying last year by pharmaceutical companies to overturn an Obama administration policy, introduced in 2015, that rewarded doctors with larger profits if they used the lowest-price biosimilars, which are genericlike copies of brand-name biologic drugs. The rationale was that steering doctors to lower-price products would compel drugmakers to cut prices to capture market share.

Drugmakers argued the old rule would discourage investment in biosimilars.

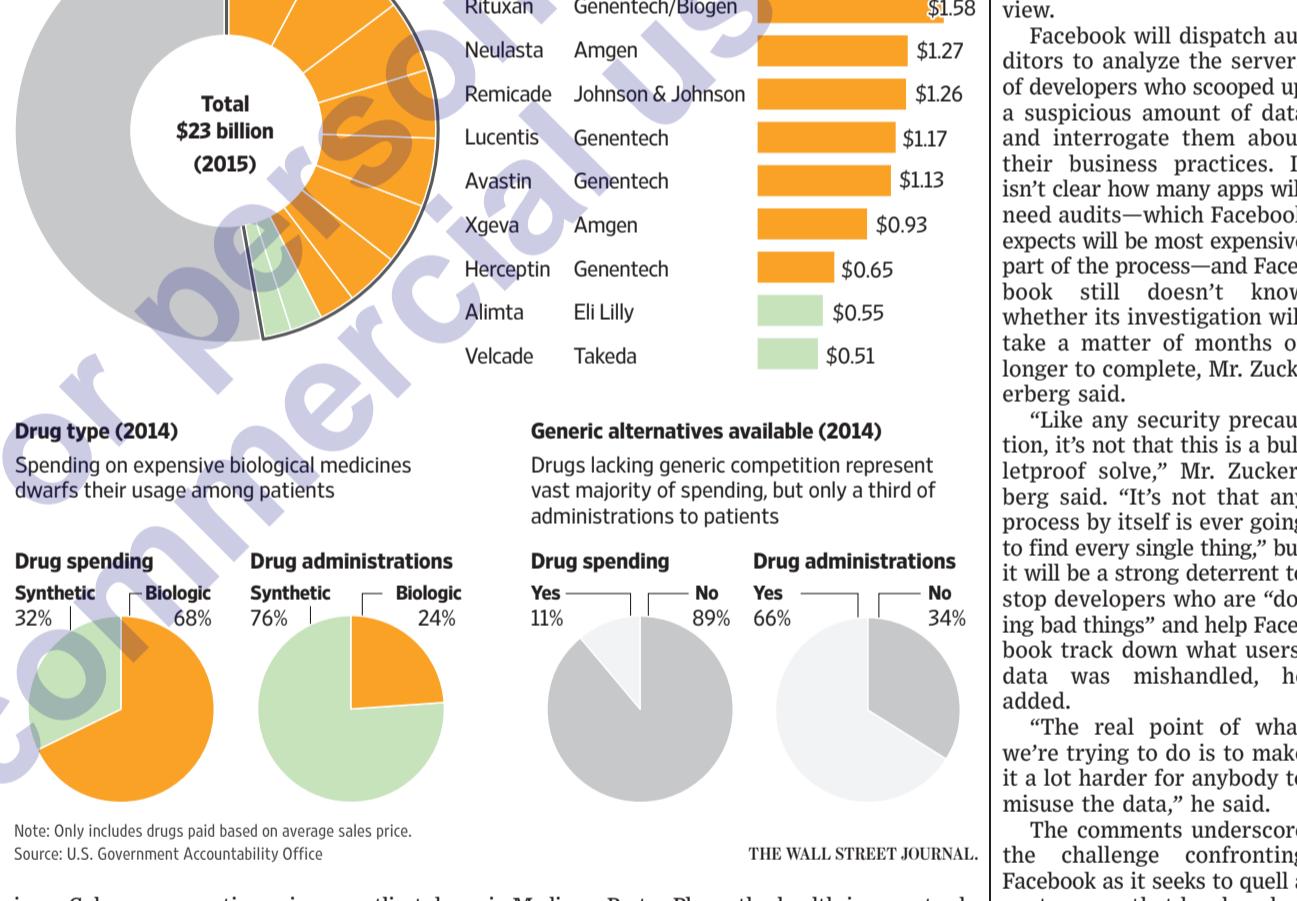
The Trump administration's new policy is an industry-backed approach that drugmakers say will help them earn sufficient profit on their investments in biosimilars. In turn, drugmakers say, the policy will attract more competitors to the market and reduce drug costs over the long term. It is an argument industry lobbyists made repeatedly last year in dozens of meetings with members of Congress and federal and White House officials, according to a Wall Street Journal analysis of federal lobbying disclosure records.

**Cohesus BioSciences** Inc., a biosimilar developer that lobbied for the change, has called the new policy a significant victory. "We view that as very, very positive for our company and our industry because it essentially means that we're in command of our own pricing strategy," said Michael A. Flem-

### Costly Therapy

Just 10 drugs make up nearly half of total Medicare Part B drug spending.

Eight of them are biologics.



ing, Coherus executive vice president for sales and marketing, on a recent conference call with analysts.

The new payment policy will affect biosimilars paid for under Medicare Part B, which covers outpatient doctor and hospital services for the elderly and disabled. In 2015, eight of the 10

costliest drugs in Medicare Part B were biologics and represented \$9.8 billion in spending.

Opponents of the change included the Medicare Payment Advisory Commission, an independent agency that advises Congress; AARP, the large advocacy group for older adults; and America's Health Insurance

Plans, the health insurer trade group.

Such a policy would decrease price competition between the biosimilars and result in higher spending for beneficiaries and taxpayers," MedPac wrote in a September 2017 letter to federal officials.

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### INSIDE



### PRIVATE EQUITY HOLDS \$1 TRILLION IN TIGHT FIST

VENTURE CAPITAL, B6

## Role of Human 'Driver' Is Scrutinized in Uber Fatality

TEMPE, Ariz.—The test operator in the **Uber Technologies** Inc. self-driving car that killed an Arizona woman was a felon with a history of traffic

By Tim Higgins,  
Greg Bensinger  
and Alejandro Lazo

citations who wasn't watching the road before the accident happened, facts that raise new questions about the company's testing process for autonomous technology.

The accident and its resulting disclosures are a potential setback in the progress of self-driving cars and to Uber, which has grappled with a number of problems including legal woes and clashes among its board and investors that led to the replacement last year of its founder and chief executive.

The driver, whom police have identified as Rafael

Vasquez, is seen in a video looking down for several seconds as the car moved at about 40 miles an hour, right before it hit and killed a pedestrian.

According to Arizona Department of Corrections records, the driver was convicted and received a five-year sentence in Maricopa County for attempted armed robbery in 2000 and served the sentence concurrently with a one-year sentence for a false-statement conviction in 1999. In 1998, the driver pleaded guilty to driving with a suspended, revoked or canceled license in Tucson City Court and was cited for failing to produce proof of insurance and for driving with an invalid registration.

The case wasn't fully resolved until 2012. The driver couldn't be reached.

An Uber spokeswoman said the driver, who identifies as Rafaela, fell well within the company's standard background

check requirements and remains an employee. Uber generally screens for violations or criminal history dating back seven years, part of a policy that gives a second chance to potential drivers who made prior bad decisions, according to the spokeswoman.

More than three moving violations within the past three years is typically enough to disqualify a potential driver, according to Uber's policies. Uber declined to comment further.

Uber has tussled with regulators about background checks of drivers.

In November, Colorado officials fined Uber \$8.9 million after discovering it had allowed several dozen drivers

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## BIO

Continued from the prior page

The change is one example of how the Trump administration's efforts to make regulations more business-friendly have benefited drugmakers. The administration made cuts to a government program requiring pharmaceutical companies to provide steep discounts to certain hospitals, and proposed limits on Medicare beneficiaries' annual out-of-pocket costs for drugs, which would make it easier for patients to afford expensive medicines.

"The Trump administration may be talking against [high]

**Drugmakers argued the old rule would discourage investment in biosimilars.**

drug pricing, but every action they've taken so far has been highly supportive of the industry," said Ronny Gal, a Sanford C. Bernstein & Co. analyst.

A senior official with the White House Office of Management and Budget disputed the idea that the administration seeks to accommodate drugmakers.

The OMB official said the administration is grappling with how to lower costs while also promoting innovation.

"The president wants to lower drug prices, but he is sympathetic to the fact we want a robust drug industry that can develop new medicines for the American people," the official said.

The new biosimilar policy is a market-friendly approach that will bring savings, the official said.

Unlike traditional pills made from chemicals, biologic drugs are proteins made in living cells, which are sometimes administered via infusion or injection at a doctor's office or hospital. Physician practices and hospitals typically purchase these pharmaceuticals upfront and bill Medicare or other insurers.

Biosimilars, which are just starting to come on the U.S. market, are cheaper than their brand-name counterparts. So far, only two products are directly affected by the new policy: Inflectra from Pfizer Inc. and Renflexis from Merck & Co. and Samsung Bioepis. Both drugs are biosimilar versions of Johnson & Johnson's Remicade, an anti-inflammatory drug with \$4.5 billion in U.S. sales last year.

Under the previous policy, Medicare reimbursed doctors based on the average U.S. sales price of all biosimilars corresponding to a particular brand-name drug, grouped under a single billing code. If doctors used a biosimilar priced lower than the average, they got to keep the difference as profit.

Drugmakers opposed the policy, arguing it would drive biosimilar prices so low that companies would flee the biosimilar market.

The industry wanted each drug reimbursed under its own code, at the price negotiated by its maker.

After Mr. Trump's election, the industry began a lobbying effort to have the Department of Health and Human Services change the payment rule, according to federal lobbying reports and congressional aides.

The Journal's analysis of those reports shows 16 drugmakers, industry trade groups and nonprofits lobbied Congress or federal agencies about biosimilar reimbursement in 2017.

—Tom McGinty

contributed to this article.

tice Department's economic calculations that assert the deal would lead to higher prices, a signal that AT&T believes the two sides' competing math could be crucial in the case.

After opening arguments, the government began presenting its case, calling Cox Communications Inc. negotiator Suzanne Fenwick as its first witness.

The regional cable company executive said a combined AT&T-Time Warner would have worrisome leverage to force Cox to pay more for Turner programming and accept unfavorable conditions.

"We are very concerned that we are going to get presented with a horribly ugly deal," Ms. Fenwick said. And if Cox can't get a new, fair deal to carry Turner, "we think we're going to lose a lot of customers," she added.

Proceedings will continue Monday with two witnesses, Warren Schlichting, president of Sling TV at Dish Network, and Turner's Mr. Martin.

The platform would bring in new ad dollars and relieve higher pricing pressures on consumer pay-TV packages, Mr. Petrocelli said.

Withholding Turner content from rivals would be "ruinous" for the newly merged company because it would mean less revenue, Mr. Petrocelli said. He also objected to Justice Department claims that a postmerger AT&T, along with Comcast Corp., could act in tandem to put a stranglehold on the industry and slow the innovation that has upended the traditional cable business model.

Mr. Petrocelli spent a considerable portion of his presentation attacking the Jus-

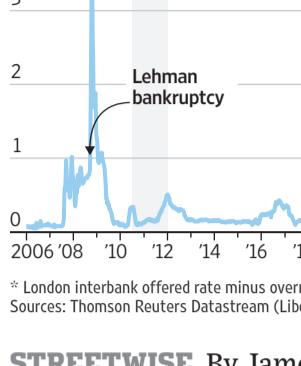
## BUSINESS & FINANCE

### Flashing Red

A gauge of bank risk is worse than in the euro crisis...

#### Three-month Libor-OIS spread\*

4 percentage points



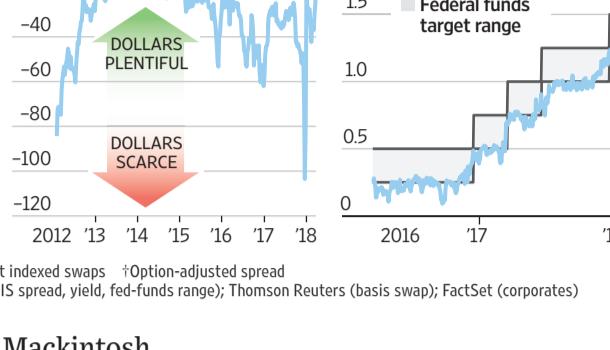
\* London interbank offered rate minus overnight indexed swaps <sup>†</sup>Option-adjusted spread

Sources: Thomson Reuters Datastream (Libor-OIS spread, yield, fed-funds range); Thomson Reuters (basis swap); FactSet (corporates)

...but there is no shortage of dollars.

#### Three-month euro cross-currency basis swap

0 basis points

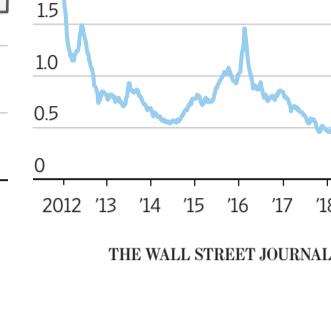


Government borrowing costs have moved to the top of the Federal Reserve's overnight target range...

...and short-dated, high-quality corporate bonds have sold off a little.

#### Spread of Bloomberg Barclays U.S. corporate one-to-three-year maturity over Treasurys'

2.0 percentage points



THE WALL STREET JOURNAL.

### STREETWISE By James Mackintosh

## The Money Markets Are Messed Up

The Federal Reserve raised rates just 0.25 percentage point this week, but distortions in the money markets mean many borrowers are seeing their interest rates rise far faster.

The good news is that what look like flashing red alerts about imminent trouble for the banks are nothing of the sort. The bad news is that blockages in the plumbing of the financial system could lead to unpredictable ruptures as the markets adapt to a new monetary regime. The danger signals at the moment are coming from the money markets, where banks are having to pay a bigger premium to borrow than during the 2012 euro crisis. Savers are directing their money to the U.S. Treasury rather than the banks, just as they did in the past two major crises.

The cause this time isn't a panicked flight to safety. Yet, the money-market stress comes amid a transition to a new phase of the financial and economic cycle. It is a time when those who fail to prepare can be exposed—and in the past such shifts have led to the collapse of hedge funds and banks, and even sovereign defaults.

Today's insistent warning is coming from the extra cost that banks pay to borrow dollars from each

other—the London interbank offered rate—above where Federal Reserve rates are expected to be over the next three months, measured using the almost risk-free overnight indexed swaps. In the 2007 credit crunch and 2012 euro crisis, the rising Libor-OIS spread was a sign that banks were wobbling.

Something else is going on, though. Other measures of bank credit risk such as credit-default swaps are tranquil, and there is no global shortage of dollars.

Instead, the money markets are being distorted by a combination of vast U.S. government borrowing needed for the deficit-financed tax cut and companies shifting offshore money from corporate bonds into cash ready to spend. Regulatory restrictions on balance sheets limit banks' ability to step in and even out the distortions.

The trouble is that distorted money markets have real-world effects. The U.S. Treasury is crowding out short-term financing for the private sector, while the huge cash piles that companies built up are no longer available to finance other companies' bonds.

The result is that the trillions of dollars of loans tied to Libor cost more than they otherwise would, while high-quality, short-term corporate bond yields are up, albeit from low levels. The effect is similar to the Fed having

raised rates twice this week, rather than once. The government is paying more on its short-term borrowing, too. The one-year Treasury bill previously tracked the bottom of the interest-rate range set by the Fed, but since the Trump tax cut it has moved up toward the top of the range, 0.25 percentage point higher even before the Fed increase.

None of this is catastrophic, but investors should be ready for hidden nasties to emerge.

*The trouble is that distorted money markets have real-world effects.*

When markets shift regime, those who gambled everything on the old model get crushed. The first symptom of change came last month, when structured products designed to bet on volatility were cleaned out. What else is lurking?

The first to face problems from higher dollar costs are usually offshore dollar borrowers. Speculators have piled into the biggest-ever futures bets on rising cash yields for offshore dollars, known as eurodollars. But so far, there are few signs of stress for dollar borrowers

outside the U.S., with cross-currency basis swaps—a way to borrow dollars using foreign currency as security—the least stressed they have been in years.

A bigger danger is what we don't know. Back in 2007, the turning of the financial cycle showed up first in sub-prime mortgages, then money markets, and finally troubles at British banks.

Stock markets carried on up until the autumn, assuming each was an isolated event, before the true crisis arrived in 2008.

The regime shift in 1994 may be a better parallel, because banks are stronger and structured finance is less prevalent than a decade ago. The Fed's surprise rate increases in early 1994 humbled some of the biggest names in finance, with hedge-fund legend Michael Steinhardt closing up shop the following year. But Mexico was bailed out, and U.S. stocks came through without a serious selloff.

History won't repeat precisely. But tighter financial conditions expose those who have been, as Warren Buffett puts it, swimming naked.

The change in the regime is big: from dovish to hawkish, midcycle to late cycle, fearing deflation to fearing inflation.

Hopefully the victims of the shift this time won't be big enough to shake the entire system.

## Whole Foods Managers Are Leaving

BY HEATHER HADDON AND LAURA STEVENS

An executive exodus is under way at Whole Foods, as Amazon.com Inc. integrates the pioneering natural grocer into its retail empire.

More than a dozen executives and senior managers have left since Amazon acquired Whole Foods last year, according to former employees and recruiters steering them to new jobs. People who have left include leaders of the bakery, produce, sustainability and local-foods divisions.

Some veterans have left even though higher-ups asked them to stay. Others say they were pushed out after the deal was announced but before it closed, as Whole Foods sought to tighten command.

Executives from Amazon and Whole Foods said that the two companies share a customer focus, are fitting together well and have made great strides in the merger in a short time. But the exodus has raised concerns among employees and suppliers that the distinctive approach that made Whole Foods a natural and organic powerhouse won't endure under Amazon's ownership.

"Culturally it's been a rough start," said a procurement veteran who left Whole Foods earlier this year after nearly a decade.

Some of the grocer's top managers have bristled at reporting to younger Amazon executives, people who work with them say. Other employees say Amazon hasn't explained the specifics of its plans to integrate the grocer into its business.

Whole Foods Chief Executive and co-founder John Mackey and Steve Kessel, an Amazon senior vice president who oversees the grocer, said in separate statements that Whole Foods has thrived in the seven months since the e-commerce giant bought it for roughly \$13.5 billion.



TAMPA BAY TIMES/ZUMA PRESS  
The natural grocer has lost more than a dozen executives and managers since its acquisition by Amazon.

"We...have maintained our distinctive culture while embracing many of Amazon's leadership principles," Mr. Mackey said.

"We are off to a great start, and look forward to many years of future success together," Mr. Kessel said.

Executive departures are common after mergers. Amazon and Whole Foods have held town halls for store employees to discuss their concerns.

This week, executives invited top suppliers to Whole Foods' Austin headquarters to discuss their frustration with operational changes, including fee increases that predate the merger. Some suppliers said the additional cost could force them to raise prices or defect to other retailers.

The fee increases are overdue and the changes are providing more consistency for suppliers, a spokeswoman said. Whole

## BUSINESS NEWS

# Credit Reports To Remove Tax Liens

BY ANNAMARIA ANDRIOTIS

The three big credit-reporting firms plan to remove tax liens from Americans' credit reports, a move that will make some risky borrowers appear more creditworthy and increase the chance they will get new loans from banks.

The firms, **TransUnion**, **Equifax** Inc. and **Experian** PLC, have decided to delete the liens from credit reports and to stop adding new tax-lien information, according to a court document and two of the companies. The changes will go into effect as soon as April.

The effort to remove the tax liens could affect millions of borrowers. More than 5.5 million liens will be removed from consumers' credit reports as a result of the changes, according to estimates by LexisNexis Risk Solutions, a unit of **RELEX Group** PLC that provides lien and judgment information to credit-reporting firms and lenders.

For consumers, the change means that a negative event that could have held them back from getting approved for financing will be wiped off their credit reports. That could increase their credit score and make them look more creditworthy to lenders.

The three companies, which provide vital, behind-the-scenes services in consumer credit, have been grappling with class-action lawsuits over their handling of consumers' tax liens and judgment information.

In TransUnion's case, the lawsuits are playing a role in its decision to remove tax liens from credit reports, according to a court paper. Experian and Equifax say the lawsuits weren't involved in their decisions.

This would be the second time in about nine months that the credit-reporting firms have moved to remove public records information from credit reports. In July, they began removing most civil judgments and many tax liens.

That effort was focused on removing judgments and liens on which the companies didn't have enough personal information to be certain that they were matching the events to the correct consumer credit reports.

**The effort to remove the tax liens could affect millions of borrowers.**

An Experian spokesman said the company removed about half of tax liens from its credit-report information database last year and that it has continued to monitor tax-lien submissions for compliance with a settlement the three credit-reporting firms reached with state attorneys general dating back to 2015.

An Equifax spokeswoman said that "after a continued review of tax liens, Equifax determined that with only a small amount of tax liens remaining on our files, all tax liens would be removed and no longer be reported."

For lenders, the move creates a potential blind spot for risk. Lenders rely on credit reports to help determine whether consumers are likely to pay back loans that they are applying for. A tax lien, which basically follows when a taxpayer hasn't paid what is due in taxes, is a negative event that can result in lenders declining loan applicants.

Lenders who want to keep tabs on such liens and other judgments will need to take the extra step of finding a company that will sell them that information or go through public records themselves.

The latest move comes as credit-reporting firms face class-action lawsuits. Allegations in those suits include that the companies haven't been accurately updating tax-lien information to reflect when the matter is withdrawn or otherwise put to rest.

# Ackman Nets \$100 Million in Nike

Pershing Square sold stock after a 32% rise; activist needs a gain to hold on to investors

BY DAVID BENOIT

William Ackman's **Pershing Square Capital Management** LP cashed out of its brief holding in **Nike** Inc. in recent weeks, for a profit of around \$100 million.

The activist investor disclosed in January that it had taken the stake in the fourth quarter, intending to keep it as a passive bet on a company it believed was undervalued. But after the stock jumped some 32% from Pershing Square's purchasing costs, it sold the stake, people familiar with the matter said.

Pershing Square owned about 5.8 million shares at the end of 2017, which would mean the bet scored about \$100 million in profit. The exact size of the take couldn't be determined, given the potential for other trading tied to Nike that the firm didn't disclose.

This year is critical for Pershing Square and Mr. Ackman. As a result of bad bets on companies including Valeant Pharmaceuticals International Inc. and Herbalife Ltd., the firm has suffered three straight years of declines that have spurred investor withdrawals and dragged down assets. It needs some wins to persuade remaining investors to hang on.

The publicly traded Pershing Square Holdings Ltd., which closely tracks Mr. Ackman's private funds, had lost



The sportswear maker's sales rose 7% to \$9 billion for the three months ended Feb. 28. Its sales in North America declined 6%.

6.2% this year through Tuesday with bets on Fannie Mae and Freddie Mac, Mondelez International Inc. and Automatic Data Processing Inc., which are all in the red.

On Thursday, Nike reported its latest results after the stock market closed. The company's sales rose 7% to \$9 billion for the three months ended Feb. 28.

The company posted a net loss of \$921 million, because of a \$2 billion charge on foreign earnings after the U.S. tax overhaul. Pretax income was \$1.2 billion, down 12% from the previous year.

Nike last recorded a quarterly net loss in May 1998.

Sales in Nike's home market, North America, declined 6% to \$3.6 billion for the latest period. Executives said they expect the region to be roughly flat in the current quarter and to return to sales growth in the quarter that begins in June.

Shares of Nike fell 2.9% to close at \$64.42 amid broad stock-market declines on Thursday, but rallied in after-hours trading and were up nearly 6% at \$68.20.

—Sara Germano contributed to this article.

## Nike CEO Cites 'Deep Leadership Bench'

Nike Inc. Chief Executive Mark Parker told investors the company has "a deep leadership bench," a week after complaints about workplace behavior triggered a management shuffle and the resignation of his heir apparent. Mr. Parker began a conference call Thursday by saying there have been "behavioral issues" at the sportswear company but didn't

provide additional details.

Last week, The Wall Street Journal reported that Nike had received internal complaints that preceded the exits of two executives. Nike said Trevor Edwards, the company's No. 2 executive, resigned as Nike brand president and is retiring in August. Jayne Martin, a vice president and general manager of global categories, was forced out, people familiar with the matter said. Nike has received complaints pertaining to Mr. Martin but no direct complaints about Mr. Edwards, a person familiar with the matter said.

# Weather Channel Is Sold To Comedian's Media Firm

BY JOE FLINT

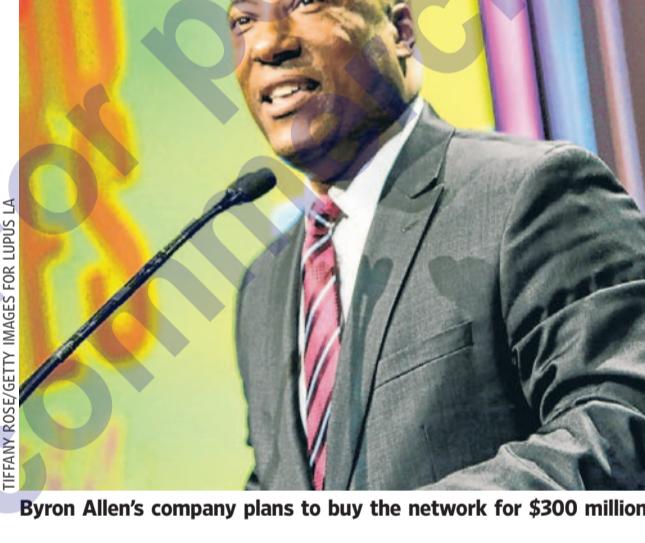
Comedian-turned-media-entrepreneur Byron Allen struck a deal to acquire the Weather Channel from **Comcast** Corp. and private-equity firms **Blackstone Group** LP and **Bain Capital** for \$300 million.

Mr. Allen said Thursday that he is buying the Atlanta-based television network through his company, **Allen Media LLC**.

The head of **Entertainment Studios** Inc., which owns eight cable networks such as Pets.TV and Comedy.TV and produces movies and television shows, Mr. Allen said the Weather Channel will provide leverage to expand the rest of his holdings.

"It is a stronger relative to help pull us along," Mr. Allen said. He plans to acquire other independent media assets to better position his company in the wake of consolidation among bigger media firms, including AT&T Inc.'s purchase of satellite broadcaster DirecTV and proposed acquisition of Time Warner Inc., which is being challenged in court by the Justice Department.

Once in more than 95 million homes, the Weather Channel's national distribution has fallen over the past decade to just over 80 million homes. Much of the subscriber losses can be attributed to consumers cutting the cord to their traditional pay-TV packages in



Byron Allen's company plans to buy the network for \$300 million.

favor of lower-priced streaming services, an issue facing cable networks across the dial.

The Weather Channel does have its own special set of issues that could make future growth challenging. Weather information is now readily available to consumers via mobile devices. Efforts by the Weather Channel to go beyond rain and snow and into entertainment and reality programming have fallen flat, and cable and satellite operators have squeezed the network to lower its distribution fees.

Mr. Allen said he doesn't plan major changes in the net-

work's format beyond more investment.

For Comcast, Bain and Blackstone, the sale ends a less-than-stellar run with the Weather Channel assets. NBCUniversal, then owned by GE, along with the private-equity firms bought the Weather Channel from closely held Landmark Communications in 2008 for \$3.5 billion. Comcast inherited NBCUniversal's 25% stake in the Weather Channel when it bought NBCUniversal from GE. In 2015, the owners sold the digital assets to International Business Machines Corp. for \$2 billion.

# Ex-Takata Staffers Settle Fight

BY MIKE SPECTOR

Three former **Takata** Corp. employees calling themselves whistleblowers settled a legal battle over \$850 million the supplier of exploding air bags owes to car companies shouldering costs for unpreceded safety recalls.

The former employees reached a settlement this week with the Japanese automotive supplier that would end their attempt to freeze \$255 million of a legally mandated restitution fund for car companies, people familiar with the discussions said.

In exchange for dropping their pursuit of the auto makers' restitution, the former Takata employees are expected to be considered among other creditors for a potential financial recovery in the supplier's U.S. bankruptcy

case, the people said.

The settlement is expected to be outlined in court documents during coming days, the people said.

Lawyers were still in the process of signing settlement documents on Thursday that would require a bankruptcy judge's approval, so a deal isn't guaranteed, they said.

A settlement would clear the way for payouts to auto makers recalling tens of millions of air bags that risk exploding in crashes and spraying metal shards, a defect linked to nearly two dozen deaths, hundreds of injuries and the largest automotive recall in U.S. history.

The former employees had made claims for financial awards under a nascent federal law covering whistleblowers at automotive companies. They wanted a portion of the

\$850 million Takata owed to car companies set aside while awaiting a review of their assertions by the U.S. transportation secretary.

Auto makers, federal prosecutors and a court-appointed official overseeing the restitution fund had opposed the former employees' attempt to freeze the money.

The former employees said in court filings that they provided evidence to U.S. officials that Takata concealed design flaws and problems that emerged in testing of the air bags. The information assisted authorities in criminally prosecuting Takata, they said.

The court-appointed official overseeing the compensation fund for auto makers disputed the former employees' claims, in part arguing they didn't provide crucial information to authorities.

## BUSINESS WATCH

## CONAGRA BRANDS

## Food Maker Lifts Outlook for Profit

Conagra Brands Inc., the maker of Hunt's ketchup and Slim Jim meat snacks, on Thursday raised its profit outlook despite rising costs for ingredients and shipping.

Conagra on Thursday projected adjusted earnings of up to \$2.05 a share for its fiscal year ending in May, about 8% higher than expected. It expects sales to grow 2% on a comparable basis in the current quarter.

Conagra also followed General Mills this week in saying it might raise prices to reflect higher costs. Chief Executive Sean Connolly said keeping prices flat while costs rise would cut into product-development investments that grocery stores want Conagra to make.

Net income for its latest quarter rose to \$362.8 million. Adjusted earnings, excluding one-time events like a lower tax rate, came to 61 cents a share. Revenue rose 0.7% to \$2 billion.

—Annie Gasparro

## SUPERVALU

## Blackwells Mounts Fight for Board

A proxy fight is under way at **Supervalu** Inc. as an activist investor seeks to overhaul the board at one of the largest grocery companies in the U.S.

**Blackwells Capital** LLC, which was already pushing for change at Supervalu, has nominated candidates for six seats on the nine-person board.

Supervalu officials said the advancement of six candidates constitutes an effort to take control of the company. Supervalu said it is outside the stake the firm holds and is unfair to other shareholders.

Supervalu said excluding certain options, Blackwells has a 2% stake. Including those options, Blackwells put the stake at 4.9%.



Supervalu opposes board changes proposed by Blackwells Capital.

## MONSANTO

## Artificial Intelligence Is Brought to Bear

**Monsanto** Co. is using artificial intelligence to forecast farmers' need for crop seeds, and save money.

Jim Swanson, chief information officer, said machine-learning techniques have produced more accurate projections of how much extra seed Monsanto needs to keep on hand, helping to reduce its "safety stock." Whereas the world's largest seed supplier used to maintain a safety stock of about 5% of production, AI has in some cases helped get that down to 2%, Mr. Swanson said at an event in Chicago. "That's significant dollars," he added.

—Jacob Bunge

## TECHNOLOGY

# Angry Users Pose Threat to Facebook

By KIRSTEN GRIND

**Facebook** Inc.'s handling of user data has upset lawmakers and regulators in multiple countries. But the biggest risk to its business could come from angry users.

Throughout previous controversies in recent years, Facebook's user population climbed steadily, fortifying the basis for an ever-growing gusher of advertising revenue.

Now Facebook is contending with a groundswell of users—some of whom are tweeting under the hashtag #DeleteFacebook—who claim to be abandoning the social-media giant, prompting some analysts to warn that its growth juggernaut could sputter.

"The biggest issue we see for Facebook is if the DeleteFacebook leads to user attrition and eventually ad dollars allocated elsewhere," Barclays analysts said in a research note Tuesday. The public backlash also could impinge on Facebook's ability to recruit talented engineers, they said.

Facebook's crisis escalated Thursday as members of the U.S. House Energy and Commerce Committee called on Chief Executive Mark Zuckerberg to testify.

"After committee staff received a briefing yesterday from Facebook officials, we felt that many questions were left



Sheryl Sandberg says Facebook 'definitely didn't realize the gravity' of the issue earlier.

unanswered," Rep. Greg Walden (R., Ore.), chairman of the committee, and Rep. Frank Pallone, Jr. (D., N.J.) said in a statement.

Late Wednesday, financial-services firm Stifel slashed its target price for Facebook shares to \$168 from \$195, saying, "Facebook's current plight reminds us of eBay in 2004—an unstructured content business built on trust that lost that trust prior to implementing policies to add structure

and process."

The latest crisis began late Friday when Facebook said it was looking into reports that analytics firm Cambridge Analytica, which worked with the Donald Trump campaign in 2016, improperly accessed data from its platform on tens of millions of users, and then retained it even after having agreed to delete it. Cambridge Analytica said it followed Facebook policies.

The controversy knocked a

total of 9%, or \$50 billion, off Facebook's market value Monday and Tuesday, before shares rebounded 0.7% on Wednesday. The stock lost another 2.7% to close at \$164.89 on Thursday. Facebook is facing legislative inquiries on two continents and an investigation by the Federal Trade Commission.

Mr. Zuckerberg broke his silence on the issue Wednesday, admitting mistakes and pledging an investigation and improvements to user-data poli-

cies. "We have a responsibility to protect your data, and if we can't, then we don't deserve to serve you," Mr. Zuckerberg wrote in a Facebook post.

On Thursday, Facebook operating chief Sheryl Sandberg addressed criticism that company leaders are too slow to respond to crises. "Sometimes, and I would say certainly this past week, we speak too slowly," she said on CNBC. "If I could live this past week again, I would definitely have had Mark and myself out speaking earlier."

Facebook "definitely didn't realize the gravity of this issue sooner," Ms. Sandberg said.

The criticism of Facebook could ease. For now, its founder's reassurances aren't enough for some users already put off by Facebook's handling of Russian interference on the platform around the 2016 U.S. election.

Sabine Stanley, a 42-year-old professor at Johns Hopkins University, says she had been thinking about deleting her Facebook account for months as the company battled one crisis after another, and the revelation about Cambridge Analytica and Facebook's slow response pushed her over the edge.

"You combine that with the election scandal, and I decided I couldn't support Facebook anymore," says Ms. Stanley, who also deleted her account

on Facebook's Instagram app.

A Facebook spokeswoman declined to comment.

The number of people world-wide who use Facebook at least once a month has more than doubled since it went public in 2012, hitting 2.13 billion in last year's final quarter. Revenue and profit have grown even faster, thanks to Facebook's use of its wealth of data to help advertisers target their messages to those users.

Warning signs began appearing last year. Facebook's U.S. users spent 7% less time on the site in August compared with a year earlier and 4.7% less time in September, according to an analysis of Nielsen data done by Pivotal Research Group.

Last month, Facebook said its users collectively spent 5% less time on the platform a day in the last three months of 2017, translating to a little more than two minutes per day, per user.

So far, there's little indication that advertisers will change their view of Facebook because of the latest furor—though some prominent executives have criticized the firm in recent months. Investors will get their next glimpse of Facebook's performance with its first-quarter report more than a month from now.

—Deepa Seetharaman contributed to this article.

## DATA

Continued from page B1

tion once it has been unleashed online, experts and former Facebook employees say.

Mr. Zuckerberg reiterated his openness to regulation requiring more disclosure about online advertising—an area Facebook is already working on.

"There's no reason why the

internet advertising industry should have a lower transparency standard than print or TV ads," he said. But he didn't say other specific areas where Facebook would be open to more regulation.

Over the past 18 months, Facebook has promised to hire more content moderators and security experts to help the company handle its various challenges. Mr. Zuckerberg said the company's artificial intelligence tools will help Facebook bolster its human-

review process. "Because of the tools that we have...we can get leverage and we hire 20,000, 30,000, 40,000 people and that is a reasonable amount," he said.

Facebook's current crisis began last Friday, when it said it was looking into reports that data-analytics firm Cambridge Analytica, which worked with the Trump campaign in 2016, retained Facebook user data obtained by Aleksandr Kogan, a psychology professor at the University of Cambridge, years after the parties certified to Facebook that the records had been expunged.

Mr. Kogan collected the data by creating a personality quiz app in 2013 that plugged directly into Facebook's platform.

Mr. Kogan collected the data by creating a personality quiz app in 2013 that plugged directly into Facebook's platform.

other developers might have done the same.

Many of the offending apps may no longer exist and it is hard to pin down how much of the data they collected was copied or distributed or where those copies might exist.

Mr. Zuckerberg said, internally, company officials discussed whether "there are enough trained audit teams in the world to go audit the number of apps that were using our platform."

CHINA CIRCUIT | By Li Yuan

## Web Firms Chase Low-End Users



Kong Xi-ahua, a middle-aged history teacher in a small town near the border with Russia, is among the online world's most sought-after users right now. Going after users like her marks the Chinese internet's race to go low: lower income, lower-tier cities and lower internet-service penetration.

Ms. Kong shopped online for the first time last year. Using a social commerce app called Pinduoduo, she's bought clothes and household products. She also started spending a lot of time on Qutoutiao, a news app that runs content based mostly around relationships, cheap comedy and sensational social news. The app pays its users small sums to read. Ms. Kong says she's received 60 yuan (\$9.50) from the app by browsing through

thousands of articles and videos. She posts links to recruit users for the app, an effort that comes with cash rewards.

China's relatively young internet industry is facing a mature-market problem: User growth for popular online services such as instant messaging, search, online news and video has fallen to single digits. Online population growth has hovered around 5% to 6% annually since 2014, which is only slightly higher than in mature economies.

Unlike in many developed markets, a vast number of Chinese are unconnected. As they slowly come online, they're creating a sizable market that companies can tap into—if they can figure out how.

"The Chinese internet is experiencing the third wave of [a] demographic dividend," said Wang Hua, a partner at venture-capital firm Sinovation Ventures, at a speech in December. The first wave, he

said, were early adopters, while the second was driven by young people in major cities.

"About half of the Chinese population is not yet heavy internet users, and they're the third wave of the demographic dividend," he says. "And they're usually the ones that are in charge of a family's daily consumption."

Only 56% of 1.4 billion Chinese—about 772 million people—use the internet, according to official data. The U.S. reached that level of penetration in 2002, according to the United Nations.

Interest in the lower end of the internet market has been building; live-streaming services have attracted working-class Chinese. This time, the spread of e-commerce and new business models are unlocking more potential.

Pinduoduo, which is developed by Shanghai Xunmeng Information Technology, saw an opportunity in the

huge online population that isn't shopping on Alibaba Group Holding's Taobao—the dominant online marketplace—with 400 million monthly users. "We serve the demographics not reached by Taobao," says Wu Shenyi, chief financial officer of Pinduoduo. "They're older, have lower income and live in smaller cities."

Pinduoduo works directly with factories to offer low prices. The company organizes group buying among users by tapping the power of WeChat, the ubiquitous social-media app developed by Tencent Holdings, which is a Pinduoduo investor.

For news app Qutoutiao, which means "interesting headlines," more than 70% of its 80-million-plus registered users live in cities with a million people or fewer, and about 60% of its readers are women, according to founder and Chairman Eric Tan. By

comparison, China's top two news apps, Tencent News and Jinri Toutiao, draw about one-third of their users from smaller cities and rural areas, and women make up only 27% of their readership, according to Analysys International.

Qutoutiao, developed by Shanghai Jifen Culture Communication, rewards readers

for every article they read and every new user they recruit. Mr. Tan says the program is like a game that adds fun to reading because rewards are capped at about one-tenth of a yuan—or less than 2 cents per day per user.

Follow Li Yuan on Twitter @LiYuan6 or write li.yuan@wsj.com.

## Best Buy Deals Huawei Another Setback in U.S.

By DAN STRUMPF AND STU WOO

**Best Buy** Co. plans to stop selling phones in the U.S. made by **Huawei Technologies** Co., according to a person familiar with the matter, the latest blow for the Chinese wireless-equipment giant in the U.S.

The electronics chain will cease selling Huawei phones in the next few weeks, this person said. Best Buy is one of several U.S. retailers, including Amazon.com Inc., that offer the brand.

Huawei is the world's third-largest smartphone vendor by units shipped, but its share of the U.S. smartphone market has been tiny since a 2012 congressional report advised carriers against doing business with the Chinese tech giant over security concerns.

The report about the threat, which Huawei has denied, has

made it difficult for the handset maker to secure partnerships with the wireless carriers that dominate access to the U.S. phone market. In January, AT&T Inc. dropped plans to sell Huawei phones in the U.S.

Huawei ranks 14th in U.S. smartphone market share, with 0.2% of smartphones shipped in 2017, according to research firm IDC. Huawei also runs a lower-end brand called Honor, which had 0.1% of the U.S. market last year.

In a written statement, Huawei said it "values the relationship it has with Best Buy and all our other retail partners. As a policy, we do not discuss the details of our partner relationships."

CNET reported on Best Buy's decision on Wednesday.

In addition to selling smartphones, Huawei is the world's top maker of the equipment that goes into cellular towers

and related infrastructure. The U.S. government's broad concern is that the Chinese government could order Huawei to exploit knowledge of how its electronics are designed to spy or launch cyber-attacks.

Huawei says it is employee-owned and that no government has ever asked the company to spy on or sabotage another country.

The company's prominence as a network-equipment maker also entered into President Donald Trump's recent decision to scuttle a proposed \$117 billion takeover attempt by Broadcom Ltd. of rival chip company Qualcomm Inc.

A government advisory panel had warned that the deal could blunt San Diego-based Qualcomm's edge over Huawei in wireless-technology research.

—Khadeeja Safdar contributed to this article.



The electronics retailer is dropping sales of smartphones made by the Chinese wireless-equipment firm.

## TECHNOLOGY

# Uber Car's Failure to Brake Puts Focus on Sensor

Experts reviewing video are surprised vehicle didn't seem to detect victim

By Tim Higgins

TEMPE, Ariz.—The roads north of Arizona State University are in many ways ideal for testing self-driving cars, with wide, clearly marked lanes and minimal traffic late at night, when the vehicle's laser sensors work best.

The optimal conditions make it especially troubling that an **Uber Technologies Inc.** self-driving car plowed straight into and killed a pedestrian walking across a street here at night, without appearing to brake or veer, according to a video from the vehicle released by police Wednesday.

The incident raises questions about whether the sensors that serve as a self-driving vehicle's eyes are ready for the complexities of city life.

Several autonomous-vehicle experts who reviewed the 21-second video expressed surprise that the car never seemed to detect the 49-year-old woman as she pushed a bicycle across multiple lanes of traffic. They say it is clear the system failed, though some pointed to hazards that can confuse a robot's brain and eyes, such as shrubs that encroach on the roadway or the woman's bike with bags on it.

Uber called the video "disturbing and heartbreaking" and said it has suspended test-

ing while cooperating with investigators.

Some experts said the accident might have been more understandable had a person been driving the car. The pedestrian, Elaine Herzberg, was crossing the street in the dark a few hundred feet from a crosswalk, and she seems to come out of nowhere in the video.

But an autonomous car is designed to "see" objects in the dark from hundreds of feet away. The promise of autonomous-car technology is that robot eyes are supposed to detect things humans can't, and anticipate and react faster to reduce accidents like this one.

"She absolutely should have been detected by their system," Missy Cummings, a professor of mechanical engineering and material science at Duke University, said Wednesday by email.

Making matters worse, the human safety operator in the car appeared to be distracted, according to the video, and was looking down for five seconds just before impact.

An analysis of the accident's circumstances points to possible shortcomings of the vision technology that dozens of auto makers and tech giants have hailed as a fundamental part of bringing driverless cars to the road.

The collision occurred as the car was headed northbound on North Mill Avenue, which rapidly widens from two lanes to five as it approaches a vast intersection. Police on Tuesday wouldn't say precisely where the inci-

dent occurred, but the video suggests it happened as the avenue takes a slight curve and then opens into four lanes.

The video confirms the car is in the right lane, possibly giving it a clear view of the other lanes where the pedestrian would have been coming from.

A median with shrubs lines the left side of the road, while the far right lane abuts a bike path and a wide sidewalk lined with some shrubs.

On Monday at around 10 p.m., the same time as the crash the night before, the area was quiet with little traffic, though several pedestrians were walking around, including some pushing bicycles with bags.

While police said the speed limit on the stretch where the crash occurred is 35 miles per hour, a nearby sign states 45 mph. The Uber vehicle is believed to have been traveling at about 40, the police said.

Most companies developing autonomous cars, including Uber, use cameras and laser and radar sensors to gather data for the onboard artificial intelligence system to translate. That information then is used to predict what might happen and how the car should respond.

Because it was night, Uber's system was likely relying heavily on laser sensors, called lidar, which emit beams that bounce off objects to paint a picture of the world, outside experts say. The bulky box of sensors, mounted on the car's roof, can see in 360 degrees

tention was a concern and focused on developing vehicles with no humans behind the wheel.

Executives had put test vehicles into the hands of employees and instructed them to monitor the roadway. The employees were video recorded. The videos showed employees quickly became comfortable with the self-driving technology and their attention wandered. Videos show one employee sleeping; another applied makeup.

Sunday's fatal crash, thought to be the first by a self-driving vehicle, follows a tumultuous period at Uber in which its co-founder and chief executive, Travis Kalanick, was pushed out. Under a new CEO, Dara Khosrowshahi, Uber has tried to steer a new course and shed its reputation for cutting corners.

Uber has poured billions into autonomous vehicle development. Mr. Kalanick called it "ex-

istential" to Uber's future. Fully autonomous vehicles could eliminate about three-quarters of the cost of a typical Uber ride by removing the human driver, Uber has said.

Internally, though, some executives have called on Uber to consider paring back spending on it as the firm seeks an initial public offering in 2019.

Uber said it has a total of some 400 drivers in Tempe, Toronto, San Francisco and Pittsburgh, where it is testing self-driving cars. It has pulled the vehicles from public roads while the crash investigation continues.

Industry players say the testing of self-driving cars on U.S. roads is bound to continue. "Nobody knows any other option," Brad Templeton, an expert in autonomous vehicle development and former consultant on Alphabet Inc.'s self-driving car project, said in an email. "It's the only way to make them better."

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Reference is hereby made to that certain Indenture, dated as of December 3, 1998 (the "Indenture"), by and among BEA CBO 1998-2 Ltd., as Issuer, BEA CBO 1998-2 (Delaware) Corp., as Co-Issuer, Financial Security Assurance Inc., as Insurer and State Street Bank and Trust Company as initial Trustee and Security Intermediary under which U.S. Bank National Association is now serving as successor Trustee (when acting in such capacity, the "Trustee") and Security Intermediary thereunder. In accordance with the applicable provisions of the Indenture and the Uniform Commercial Code as in effect in the State of New York, the following assets will be sold (individually or on a portfolio basis) to the highest qualified bidder(s) at Public Auctions to be held on the dates and times set forth below:

Portfolio No. 1 - Corporate Bonds			
No.	CUSIP	Security	Original Principal Amount (\$)
1	039525AK6	Archibald Candy Corp.	\$209,768.07
2	233860983	Dairy Mart Convenience Stores, Inc.	\$3,000,000.00
3	257768AC0	Diamond Triumph Auto Glass	\$3,000,000.00
4	2695249K0	Eagle Geophysical, Inc.	\$2,500,000.00
5	292550AC8	Encompass Services Corporation	\$1,987,289.60
6	9635C9K83	ESC Wheeling Pitt	\$2,250,000.00
7	5172899C0	Laroché Industries, Inc.	\$3,000,000.00
8	670688AA8	Nutritional Source Corp	\$720,881.00
9	690020AG7	Outboard Marine Corporation	\$2,000,000.00

Portfolio No. 2 - Equities			
No.	CUSIP	Security	Type
1	269524203	Eagle Geophysical, Inc.	Common Stock
2	429810807	High Voltage Engineering Corporation	Common Stock
3	517289104	Laroché Industries, Inc.	Common Stock
4	None	Roma Restaurant Holdings Inc.	Common Stock
5	922377207	Vast Solutions, Inc.	Common Stock Class B3
6	922377306	Vast Solutions, Inc.	Common Stock Class B3
7	KCC377102	Vast Solutions, Inc.	Fractional Shares CS Class B1
8	922377108	Vast Solutions, Inc.	Common Stock Class B1
9	KCC377300	Vast Solutions, Inc.	Fractional Shares CS Class B1
10	KCC377201	Vast Solutions, Inc.	Fractional Shares CS Class B2
11	9189X9Y10	VS Holding Co.	Common Stock
12	948774302	Weirton Steel Corporation	Preferred Stock - Ser. C
13	981907306	Worldtex, Inc.	Preferred Stock
14	981907207	Worldtex, Inc.	Common Stock

**Portfolio No. 2 - Equities**  
Bid Deadline: April 4, 2018 at 10:00 a.m. (prevailing Eastern time)  
**Portfolio No. 1 - Corporate Bonds**  
Bid Deadline: April 4, 2018 at 10:00 a.m. (prevailing Eastern time)

Additional Information: All bids must be submitted by the applicable above-noted Bid Deadline in accordance with the terms and conditions set forth in a bid package (the "Bid Package") relating to this Public Auction. In addition, please be advised that the sale of the above-noted assets (individually or on a portfolio basis) will be made only to the highest qualified bidder(s). For additional information regarding this Public Auction, and to obtain a Bid Package, contact Cowen and Company, LLC, 599 Lexington Avenue, 21st Floor, New York, NY 10022, Attn: James Burke, Managing Director, Telephone No.: 212.820.0234, E-mail: [julie.gilman@cowen.com](mailto:julie.gilman@cowen.com), Facsimile No.: 646.562.1593; and Yulia Gilman, Director, Telephone No.: 212.823.0234, E-mail: [yulia.gilman@cowen.com](mailto:yulia.gilman@cowen.com), Facsimile No.: 646.562.1593. The Public Auction will be a public disposition (within the meaning of Section 9-610 of the UCC).

**Disclaimer:** The Trustee is authorized to act at this Public Auction, if the Trustee deems it necessary or otherwise advisable or is required by applicable law to do so: (a) to restrict the prospective bidders on, or the purchasers of, any of the above-noted assets to be sold to those persons who, to the Trustee's knowledge and warrant, are "qualified institutional buyers," as such term is defined in Rule 144A(a)(2) promulgated by the SEC under the Securities Act of 1933, as amended ("the 'Act'"); and (b) to qualify purchases "for purposes of Section 3(c)(7) of the United States Investment Company Act of 1940, as amended"; and (c) agree that they will not resell the assets without compliance with the registration requirements of the Act and applicable state securities laws or pursuant to valid exemptions therefrom and (d) to impose such other limitations or conditions in connection with this Public Auction as the Trustee deems necessary or advisable in order to comply with the Act or any other applicable law.

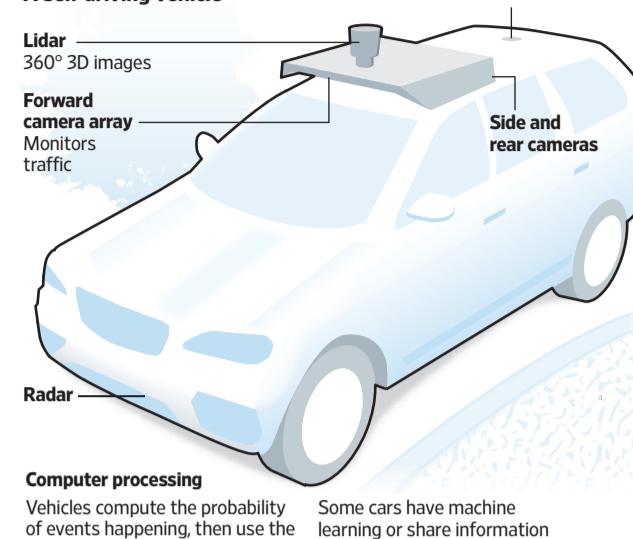
All of the information contained herein is made to the best of the knowledge of the Trustee as of the close of business on March 20, 2018.

Waymo, which began working on autonomous vehicle technology as a Google project in 2009, concluded driver inat-

## Eyes on the Road

Autonomous cars use an array of cameras, radar, lidar and sensors to guide them.

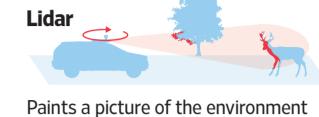
### A self driving vehicle



### Computer processing

Vehicles compute the probability of events happening, then use the information to adjust driving.

Some cars have machine learning or share information between other cars.



Paints a picture of the environment by bouncing lasers off objects

**Pros:** Accurate to a few centimeters

**Cons:** Some sensors may struggle to work in bad weather, such as snow.

### Cameras

Read road signs and traffic signals; track other cars

**Pros:** Pick up color, object structure

**Cons:** Need external light; bad weather affects function

### Radar

Bounces beneath a car to see ahead of it

**Pros:** Can work in bad weather

**Cons:** Low resolution, can return confusing signals



Sources: Srikanth Saripalli, Texas A&M University (sensor details); Uber (sensor locations); WSJ analysis of Google Maps (crash scene);

and detect objects hundreds of feet away.

But lidar sometimes struggles to create a complete picture, especially if only a few laser points are bouncing off

an object. Snowflakes, for example, can appear to be menacing solid obstacles. It works best at night, when there is no sun interference.

Some driverless-car experts

say Uber's system could have been confused by the shrub alongside the roadway and may not have discerned the difference between shrub branches and a pedestrian.

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## CLASS ACTIONS

Legal Notice

## A Second Round of Settlements Has Been Reached by Direct Purchaser Plaintiffs Through Their Attorneys Led by Court-Appointed Counsel, The Joseph Saveri Law Firm, Inc., With Some of the Defendants in a Class Action Lawsuit Involving Capacitors.

### What is this lawsuit about?

The lawsuit alleges that certain defendants engaged in an unlawful conspiracy to fix, raise, maintain or stabilize the prices of aluminum, tantalum, or film capacitors ("Capacitors"). Plaintiffs allege that, as a result of the unlawful conspiracy involving Capacitors, they and other direct purchasers paid more for Capacitors than they would have absent the alleged conspiracy. Defendants deny plaintiffs' claims.

### Who has the right to share in the latest round of settlements?

The settlements include all persons and entities in the United States that purchased Capacitors (including through controlled subsidiaries, agents, affiliates or joint-ventures) directly from any defendant or subsidiary, agent, affiliate, or joint venture of a defendant at any time between January 1, 2002 and July 22, 2015, where the Capacitors as in the United States (the "Settlement Class").

### Who represents the Settlement Class?

The Court has appointed the **Joseph Saveri Law Firm, Inc.** ([www.SaveriLawFirm.com](http://www.SaveriLawFirm.com)) to represent the Settlement Class. You may also retain your own counsel at your expense.

### Who are the settling defendants?

Settlements have been reached with defendants Hitachi Chemical Co., Ltd., Hitachi AIC, Inc., Hitachi Chemical Co. America, Ltd. (collectively, "Hitachi Chemical"); and Soshin Electric Co., Ltd., and Soshin Electronics of America Inc. (collectively, "Soshin") (all Hitachi Chemical and Soshin entities together, the "Settling Defendants") in partial settlement of the class action lawsuit (the "Settlement Agreements"). The Settling Defendants expressly deny plaintiffs' allegations.

### What do the settlements provide?

## BUSINESS NEWS

# Private Equity Hoards \$1 Trillion in Cash

Firms are tight with money after some high-profile precrisis buyouts went bust

By MIRIAM GOTTFRIED

It has been more than a decade since private-equity firms went on a buyout binge on the eve of the financial crisis, but as the recent bankruptcies of Toys "R" Us Inc. and iHeartMedia Inc. show, many of the deals continue to haunt their owners and are forcing them to find new ways to spend an epic pile of cash.

Private-equity firms are sitting on more than \$1 trillion in uninvested capital, data provider Preqin estimates, which they will need to spend if they want to earn the hefty fees they collect on investment gains. Their problem: The most efficient way to put the money to work is on big deals, but the raft of failures of pre-crisis buyouts—including those of Caesar's Entertainment Corp., Energy Future Holdings Corp. and now Toys "R" Us and iHeartMedia—shows how hard that is to do.

So the firms are scouring the corporate landscape for other ways to deploy all that cash. There have been some large deals in recent months, but they haven't been outright purchases for double-digit billions. In January, for example, Blackstone Group LP announced a deal to take a 55% stake in the financial-information and terminal business of Thomson Reuters Corp. that values the operation at \$20 billion including debt. It is Blackstone's largest non-real-estate transaction. In a sign the private-equity firm may have gotten a good deal, Thomson Reuters's chairman privately harbored concerns that directors had failed to seek a higher price or consider other potential buyers. The Wall Street Journal has reported.

Before the government re-



A concert during the 2017 iHeartRadio Music Festival in Las Vegas. In 2007, Thomas H. Lee Partners and Bain Capital agreed to buy iHeart.

RICH FURY/GETTY IMAGES FOR iHEARTMEDIA

jected the proposed takeover, Silver Lake Partners was prepared to invest around \$3.5 billion—its biggest equity check ever—to back Broadcom Ltd.'s \$117 billion hostile bid for Qualcomm Inc.

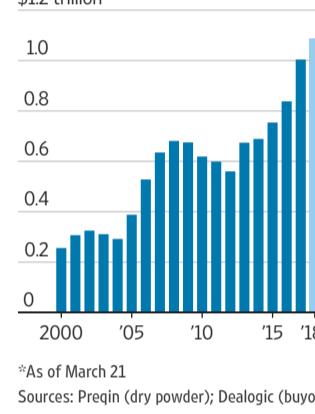
Other strategies include taking on more troubled businesses, such as in KKR & Co.'s \$8 billion planned acquisition of Unilever PLC's spreads unit, which has struggled in the face of declining margarine consumption.

"What we're in is a situation where you leave no stone unturned in terms of trying to find your next deal," said Brenda Rainey, global practice director at Bain & Co., the consulting firm.

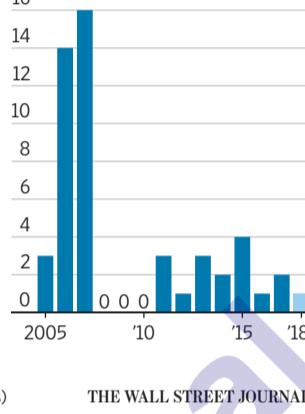
Armed with easy credit and a lack of competition from corporate buyers, buyout shops made a series of big bets in the years leading up to the crisis, often joining with rivals and loading their targets with debt. In some cases, these deals led to big profits through sales or initial public offerings—Blackstone's purchase of

## Holding Fire

Private-equity firms have more than \$1 trillion to spend...



...but the number of U.S. leveraged buyouts worth over \$5 billion has tumbled.



in North America and Europe that raised a buyout fund between 2003 and 2008 and haven't raised any money since or executed a buyout since 2015. These funds, which Bain declined to name, hold more than 100 companies.

Looking more broadly at companies that have been sitting in funds beyond the standard fund life of 10 years, the list gets much longer. Univision Communications Inc., for example, was taken private in 2007 in a \$13.7 billion leveraged buyout by a consortium of private-equity firms. Most of its owners hold it in funds that closed in 2006 and 2007, according to people familiar with the matter. Univision recently canceled plans for an initial public offering, said its chief executive would retire, and is undergoing a strategic review.

It isn't just painful memories holding buyout firms back. Booming equity markets have stretched valuations, causing concern that potential deals won't clear return thresholds.

It is a problem Warren Buffett recently bemoaned. His Berkshire Hathaway Inc. has more than \$100 billion in cash but faces a lack of reasonably priced assets to buy.

Meanwhile, corporate acquisition activity has been robust, crowding out buyout firms.

Only two U.S. LBOs announced in 2017—Sycamore Partners' \$6.8 billion deal to buy office supplier Staples Inc. and Energy Capital Partners LLC's roughly \$5.6 billion acquisition of power generator Calpine Corp.—crossed the \$5 billion mark, according to Dealogic.

By comparison, there were 14 such deals in 2006 and 16 in 2007. That was the year Thomas H. Lee Partners and Bain Capital LP—the private-equity firm started by former consultants at Bain & Co.—agreed to buy iHeartMedia, the radio broadcaster then known as Clear Channel Communications, in a debt-laden takeover valued at \$17.8 billion.

Toys "R" Us was purchased for \$6.6 billion in 2005 by Bain Capital, KKR and Vornado Realty Trust. They saddled the toy retailer with debt that stood at about \$5 billion when it filed for bankruptcy in September. iHeartMedia filed for bankruptcy in March.

For some firms, the failed deals of the past spell opportunity.

Private-equity firm Z Capital Group has found at least three of its recent deals scaring old funds it defines as zombies, with the help of a proprietary database on more than 35,000 companies. Last year, it bought the parent of horse-racing publication Daily Racing Form for less than \$100 million from lenders after a restructuring process, according to a person familiar with the matter. Arlington Capital Partners, another buyout shop, had purchased the company for \$200 million in 2007. It held the asset in a \$575 million fund, which closed in 2006, the person said.

THE WALL STREET JOURNAL.

# WOMEN IN FINANCE

April 23, 2018 | New York, NY

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**Sandra Horbach**

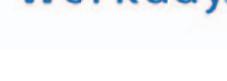
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# ALL YOU NEED TO KNOW CHINA WATCH

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## SECOND EXPOSURE

DAYS OF THE POLAROID AND INSTAMATIC ARE BACK, P4



## A Bite of China III Feeds Appetite for Wok Wonders

By CUI JIA and XIN WEN

The popular documentary *A Bite of China*, which explores the relationship between Chinese people and food, returned for its third season last month during the Spring Festival holiday.

Some viewers tuned in to watch the show's new season with the hope of understanding Chinese culture through food, while others just wanted the mouth-watering effect of seeing the delicacies featured in the documentary.

Following the huge success of *A Bite of China* in 2012 and *A Bite of China II* in 2014, the public has high hopes for the show's third season, which is also produced by China Central Television.

The first episode of the latest season, broadcast on CCTV on Feb. 19, is about a variety of cookware used in Chinese cooking, including the famous iron wok and bakeware made of stone.

Cookware is the foundation of Chinese cooking, but people often forget about its importance in forming cooking techniques, said Liu Hongyan, chief director of *A Bite of China III*.

Ji Chi, who works in New York, said, "It makes me hungry every time I watch the documentary, which demonstrates the beauty of Chinese food so well. Also, it is surprising to see that there are so many Chinese

cuisines that even Chinese people know little about."

"What's more, *A Bite of China* brings me closer to home."

Ji, who watched the episode online, said she plans to buy a handcrafted wok featured in the episode.

She has watched the previous seasons at least twice, she said.

*A Bite of China III* has eight episodes, each of which lasts 50 minutes. Besides cookware, it also covers the themes of snacks, banquets, diet therapy, chefs, dim sums, food associated with traditional Chinese solar terms and fusion cuisine.

Liu said she wants people to admire the beauty of Chinese food while discovering the rich culture behind it.

Wei Dichun, deputy head of CCTV, said earlier that the third season will resonate with people at home and abroad.

The handcrafted iron wok has become a must-have item for many people after it was featured in the popular TV documentary, sparking the industry to recruit more young craftsmen to meet the booming demand.

The episode focused on cookware and featured a brand of iron wok that is handmade in Zhangqiu district in Jinan, Shandong province.

SEE "FOOD" ON P2



Craftsmen hammer out iron woks in Zhangqiu district, Jinan, Shandong province. CHEN ZEBING / CHINA DAILY

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President Xi Jinping joins deputies from the Inner Mongolia autonomous region for a group discussion of the Government Work Report during the first session of the 13th National People's Congress, which opened at the Great Hall of the People in Beijing on March 5. XIE HUANCHI / XINHUA

## Focus Moves to Quality of Growth

6.2% annual rise in GDP needed over next three years to meet goal of 'moderately prosperous society' by 2020. **Andrew Moody** reports

**C**hina is at an important stage of its economic development as it moves onto a new growth model, according to Chinese Premier Li Keqiang.

Li, who delivered the Government Work Report at the annual two sessions meeting in Beijing on March 5, stressed the importance of the quality of China's growth rather than just the quantity.

"China's economy is now in a pivotal period in the transformation of its growth model, its structural improvement and its shift to new growth drivers," he said.

"China's economy is transitioning from a phase of rapid growth to a stage of high-quality development."

The report, which sets the government's agenda for the year ahead, is one of the keynote events of the National People's Congress, China's highest legislature. The NPC sits at the same time as the National Committee of the Chinese People's Political Consultative Conference, the country's top political advisory body, during the two sessions.

The GDP growth target was set at "around 6.5%," in line with almost all forecasts.

The government's central aim remains to meet the centennial target of achieving a "moderately prosperous society in all respects" by 2020, in time for the 100th anniversary of the founding of the Communist Party of China the following year.

To do this it needs to double its 2010 GDP per capita level, which requires an average growth rate of 6.2% over the next three years.

Li said the GDP target and others such as creating 11 million new urban jobs this year, more equal income growth



**China's economy is transitioning from a phase of rapid growth to a stage of high-quality development.**

LI KEQIANG  
CHINESE PREMIER

and more efficient energy consumption focused on achieving that overall goal.

"The above targets take into consideration the need to secure a decisive victory in building a moderately prosperous society in all respects," he said.

Stephen Roach, senior fellow at Yale University's Jackson Institute for Global Affairs and former Asia head and chief economist of investment bank Morgan Stanley, said China is right to focus on the quality of its growth.

"The senior Chinese leadership has

stressed the need for a more sustainable growth model — namely, by shifting from resource-intensive manufacturing to resource-light services. Only then can China enjoy the quality dimension of the growth experience," he said.

"China is making good progress toward higher quality growth. But the journey has just begun."

In pursuing higher quality growth, Li set out nine key policy proposals: stepping up supply-side structural reforms; increasing innovation efforts; deepening reforms, particularly those of State-owned enterprises; dealing with what were described as three critical battles (defusing financial risks, targeting poverty and dealing with pollution); revitalizing rural areas; regional development; boosting consumption and effective investment; opening up the economy to foreign investment; and improving people's well-being.

Li said the government must now act on Xi Jinping Thought on Socialist Economy with Chinese Characteristics for a New Era in its economic policy making.

"We will strongly promote high-quality development. Development is the underpinning and the key for solving all our country's problems," he said.

Zhu Ning, professor of finance at Tsinghua University, said the work report was in line with the Central Economic Work Conference, a key economic policy meeting held in Beijing in December.

"The focus now is on the development of the overall economy. People have criticized China's growth being all about growth's sake and not about development. We want a broader based more inclusive development than just the growth of the number," he said.

SEE "TARGET" ON P3

## Cartoon Emotions Rake in the Cash

By CHENG YU

The emoji is the newest piece of intellectual property in China's creative sphere that is spawning millions of yuan for its creators as well as peddlers.

The digital-age art form is also creating a whole new line of business that some are forecasting will experience huge growth over the next few years.

Emojis are standardized sets of stylized images such as smileys that express a range of emotions or short messages (like "Hello" and other kinds of greetings, exclamations, snubs).

Emojis, an evolution of yester-year text character-based emoticons, are part and parcel of most messages exchanged by users of instant messengers, social media, email and the like.

Many users like emojis because they help spice up their messages with slick meanings, or moods or mind states, that they feel are better expressed through images rather than words.

With hundreds of millions of users now using social media such as

**\$2.2 million**

the amount paid by WeChat users to emoji artists in China last year

WeChat, a widely used emoji could prove a money-spinner and a precious commodity.

A 22-year-old collegian in Anhui province using the name Mao Tui can testify to the power of emojis. Four years ago, just for fun, she drew a cartoon character and named it Zhangcao Yantuanzi, or Budding Pop, a chubby, adorable, genderless character, about 4 years old, with a tuft of grass, rather a couple of green leaves on a stem, for hair.

Soon, Budding Pop evolved into a series of drawings expressing a range of emotions for different occasions and moods. They were digitized and animated later.

More than half of China's 1.3 billion people have had dealings with Budding Pop since. The emoji has been

downloaded more than 800 million times through WeChat.

Through donations from WeChat users doting on Budding Pop, its creator today earns a decent monthly income.

Tens of thousands of people in China such as her are now using their artistic talent to create emojis and make money. Their investment, besides their talent for creative drawings, includes hardware like a PC or an electronic drawing board and software such as open-source drawing apps, all costing no more than a few thousand yuan.

Returns on such investment can be handsome. A WeChat user can donate up to 200 yuan (\$33) per emoji at a time. Tencent, which owns WeChat, said the app had more than 900 million active users in China alone at the end of September. They are said to send out 38 billion messages every day. Tencent declined to divulge the number of emoji downloads and the number of messages with emojis last year.

SEE "ECOSYSTEM" ON P2

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## 21 China



A reproduction of Zhangcao Yantuanzi. PROVIDED TO CHINA DAILY

# Ecosystem: Emojis Are All the Rage in Cyberspace

FROM PAGE 1

"The income of emoji creators depends on the popularity of their work," said Zhang Xuchen, 39, a part-time emoji artist in Beijing. "The more users like their work, the more they earn. The maximum I've earned is tens of thousands yuan for a set. I know some emoji artists who earn hundreds of thousands of yuan."

Zhang, who is a forklift truck driver in Tianjin, has created 12 sets of emojis. A set takes at least one or two months to create, he said. Typically, other emoji artists may spend one to three months to create a set.

The most popular set of emoji among Zhang's creations — it is called Huaijiu Xiyouji, inspired by the ancient Chinese novel *Journey to the West*, a story about four characters who go on a pilgrimage in search of Buddhist scriptures — has been downloaded more than 22 million

times and exchanged more than 400 million times in e-messages.

It is not just individual artists who stand to earn from emojis. Creative design firms and groups of artists are sprouting up everywhere. They pay artists to create emojis, which are then peddled to WeChat and the like.

For its part, WeChat gains the loyalty of users by providing them with content that appeals to them. Although Tencent declined to disclose financial figures relating to emojis, it is conceivable the company may be earning commission on paid-for emojis, if not taking a cut from money that users donate to emoji artists.

Then there are IP specialists such as Block 12 that leverage emojis for licensing deals with movie producers, TV channels, product makers, comic book publishers and such. For instance, Budding Pop is already featured on toys, bank cards and in films.

It's an emoji ecosystem all right. So much so that WeChat now has an emoji store where artists, either individually or in groups, can upload their work and make money.

Tencent said there are about 23,000 sets on its emoji store, most of them free. Only seven sets were added to the category of paid emojis (about 6 yuan a set) last year.

"I can now earn extra money by drawing emojis," Zhang said. In the WeChat online store users are given the opportunity to express their appreciation for his work by donating money.

Tencent says that more than 690,000 users made donations to emoji artists last year, parting with nearly 14 million yuan in all, up 13% year-on-year.

Encouraging by the evolving business, other media players are jumping on the emoji bandwagon.

For example, Vision News, a department of the new media center of China Daily, has published an emoji called Dao Jun or Dao Knowhow, a teal-hued dolphin-like imaginary creature, on the WeChat emoji store.

"This image is now used in some of our comics," said Wang Xiaoying, head of Vision News. "We want to take advantage of this lovely image to create some amusing visual news products."

Cheng Yanbo, an independent game analyst, said, "In the internet era, users have short attention spans. They don't pay attention to one emoji for a long time. So, emoji painters need to keep innovating and creating new ones."

Protecting intellectual property rights would help increase revenues for the emojis, Cheng said.

From a business point of view, the growing Chinese emoji segment is not very different from Japan's cartoon industry, where emojis first emerged in the 1990s as a way for people to quickly communicate through pictures.

Japan then created an array of cartoon figures such as Kumamon and Poinko. Similarly, Chinese emojis now integrate some special Chinese cultural elements.

# Food: Iron Wok Is Far Too Successful

FROM PAGE 1

A detailed explanation was given of how a wok is made in 12 steps, including being hammered 36,000 times to make its bottom like a mirror.

Liu Zimu, 40, who runs the wok factory that appeared in the documentary, said that only 10 minutes after the first episode was broadcast his business had sold its complete stock of nearly 2,000 pans.

"In less than 10 days hundreds of thousands of orders came in," he said.

"We have about 50 craftsmen producing a little over 100 pans a day. It'd take us two years to fill the orders we've received."

Liu said iron woks normally sell for between 339 and 1,000 yuan (\$45 to \$158), while one made by a seasoned master is 1,299 yuan.

On the Tmall online marketplace, sales of Zhangqiu woks have increased 6,000-fold since the broadcast.

The overwhelming demand

A cameraman of *A Bite of China* / films the fungus-picking process in 2012. PROVIDED TO CHINA DAILY

# Nobel Laureate: Growth Goes Hand-in-Hand With Happiness

By LI YOU

Strong economic growth has helped to enhance people's sense of happiness in China, said Angus Deaton, winner of the Nobel Prize in Economics in 2015.

The feeling of happiness among Chinese people experienced a remarkable increase from 2006 to 2016, a period during which the Chinese economy reported significant growth, Deaton said, delivering a keynote speech to the 2018 Sina and CMIG Business Leaders Summit in Davos, Switzerland, on Jan. 23.

"There is no evidence to show any conflict between economic growth and happiness. And indeed, quite the reverse."

Deaton, whose research focuses on poverty, health, well-being and economic development, also said China's rapidly growing elderly population was having little impact on people's feelings of happiness, a situation that is at variance with the way some experts see things.

Senior citizens in China have high savings rates, Deaton said. Moreover, young people, who tend to have higher incomes than their parents, often provide financial support to them or even their grandparents, which enables the elderly in China to live happy lives.

The Ministry of Civil Affairs estimates that China had more than 220 million people aged above 60 in 2015.

An effort has to be made to upgrade the current elderly care and welfare systems in China to

provide better support for the elderly, the economist said.

Deaton, who is also a member of the Global Advisory Council of China Minsheng Investment Group, said CMIG had achieved outstanding results in exploring new elderly care models in China.

CMIG's community-based care service model not only successfully expands its aging care service network, but also allows senior people to enjoy life independently and happily, he said.

At the summit, Wang Hui, chairperson of CMIG Futurelife, explained CMIG's business model to participants.

"Community is the place where most ordinary people spend most of the daytime," Wang said. "It is also the place which is tied closely to people's daily lives, so it should be the main platform for them to upgrade their lifestyles."

"Moreover, along with the consumption upgrade and business innovation in the community, the sense of happiness of residents can be directly improved."

CMIG, a private investment company initiated by the All-China Federation of Industry and Commerce, was founded in Shanghai in 2014 with 50 billion yuan (\$7.6 billion) in registered capital.

CMIG Futurelife, a key player in the layout of CMIG's elderly care business, has grown into one of the biggest community management and services companies in China, with nearly 200,000 acres of residential and commercial property under its management.



An elderly service center in Shanghai operated by CMIG Futurelife, one of CMIG's subsidiaries. PHOTOS PROVIDED TO CHINA DAILY

# Open China 'Positive' for Firms Globally

By LI YOU

China's determination to take on more responsibilities and contribute to more inclusive economic growth is a positive sign for companies both in China and worldwide, said Kevin E. Lee, executive vice-chairman of China Minsheng Investment Group.

The country's proposal at last year's World Economic Forum in Davos, Switzerland, which called for a shared future for mankind, an open economy, globalization and fighting protectionism and isolationism, has been widely welcomed, and is turning into action.

"In the past year, poverty reduction and environmental protection initiatives have gained tremendous progress in China," Lee said during this year's forum, which opened on Jan. 23.

At the event, China's senior officials stressed again that the country stood firm against all forms of protectionism over the past year.

China has strengthened the protection of intellectual property rights, promoted fair competition, deepened the opening-up of financial markets and increased imports, according to China's senior officials.

China's continuing progress in reform, economic openness and the Belt and Road Initiative



Kevin E. Lee, executive vice-chairman of CMIG

demonstrates its determination to take on more responsibilities and contribute more to inclusive economic growth, Lee said.

"For companies both in China and worldwide, this is a positive sign and means opportunities in a series of sectors in relation to the improvement of people's livelihoods."

As a foreigner living in China for many years, Lee said he had witnessed the country's economic rise, but also some "unbalanced development."

"But now the Chinese government has noticed this problem."

The country has begun to deal with the contradictions that had pitted unbalanced and inadequate development against people's ever-growing needs for better lives, he said, and an effort to deal with

the contradictions provides "the biggest opportunity over the next decade or two."

The value of business ethics and social responsibility was becoming more important in China, he said.

"At CMIG we've been practising the principle of responsible investment since our establishment in 2014, and focusing on emerging sectors closely tied to people's livelihoods."

"Our rapid development and social recognition from both government and society is evidence of this trend."

Through bringing together private capital and investment, CMIG has grown into a company with a number of subsidiaries in fields such as clean energy, green buildings, aviation and elderly health care.

It has also helped foreign partners, such as the U.S. reinsurance company Sirius and the Luxembourg private jet company Luxavation, to expand their business in China.

The world economy is expected to remain stable in 2018 and 2019 following firm growth in 2017, and China's growth momentum and the recovery in developed economies is restoring confidence, Lee said.

"We should always bear in mind that the key to sustained growth, as it was proved by the Silk Road thousands of years ago, is openness and collaboration in global governance," Lee said.



Angus Deaton and Wang Hui share their opinions in Davos, Switzerland, on Jan. 23. PROVIDED TO CHINA DAILY

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## COMMENT

# Building a Community With a Shared Future

By WANG YI

**O**ver the past year, under the strong leadership of the Communist Party of China Central Committee with Comrade Xi Jinping at its core, China's diplomacy has honored its solemn commitment with real actions to serve the Chinese Dream of national rejuvenation with a strong sense of mission and contribute to the world dream of lasting peace and shared prosperity in a pioneering spirit.

The year 2018 is the first year following the 19th CPC

National Congress and marks the 40th anniversary of China's reform and opening-up policy. The world is watching closely how China will handle its relations with other countries in this new era.

My message is, China's diplomacy will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, stay committed to peaceful development, work with other countries to build a new form of international relations and a community with a shared future for humankind, and make new progress in major country diplomacy with Chinese characteristics.

In 2018, we look forward to a world of greater openness and less isolation. The green shoots in the new round of global growth must be nurtured by all countries. What China has learnt in its 40 years of reform and opening-up is that prosperity only comes to those who embrace the world with open arms. China will remain committed to opening-up as a fundamental policy and a mutually beneficial strategy.

We will get more in line with international economic and trade rules, significantly widen market access, open the services sector, especially the financial sector, wider, and create a more appealing investment environment. We will promote trade and investment liberalization and facilitation, and develop the global governance system to make economic globalization more open, inclusive and balanced so that its benefits can be shared by all. We will work

on the Belt and Road Initiative by implementing the deliverables of the first forum and starting preparations for the second one.

This will enable us to break new ground in opening-up. We will host a number of events, including the annual conference of the Boao Forum for Asia, the Summit of the Shanghai Cooperation Organization, the Summit of the Forum on China-Africa Cooperation, and the China International Import Expo, to add momentum to the trend of openness and development.

In 2018, we look forward to a world of more cooperation and less friction. In this age of globalization, the world is in fact a global village. Instead of showing off power by flexing muscles, countries should embrace cooperation to face common challenges and make the pie of shared interests larger. In that spirit, China will expand its global network of partnerships and build a framework for major country relations featuring overall stability and balanced development. With regard to our relations with neighbors, we will follow the principles of amity, sincerity, mutual benefit and inclusiveness.

We will broaden cooperation and narrow differences with them to jointly build a community with a shared future in Asia. We will uphold justice while pursuing shared interests for greater solidarity and cooperation with other developing countries. We will add new dimensions to our cooperation mechanisms with Africa, Latin America and the Caribbean, and Arab countries to keep the mechanisms vibrant in changing circumstances.

Such efforts will enable us to set an example for a new type of international relations. With a commitment to extensive consultation, joint contribution and shared benefit, we will take an active part in multilateral cooperation and the establishment of a global system of governance.

#### Finding solutions to thorny issues

In 2018, we look forward to a world of more trust and less estrangement. To navigate the complicated international landscape, countries need to have more mutual trust and less suspicion. Efforts must be made to find political solutions to long-running hotspots and thorny issues and bring about outcomes that are in the interest of all parties.

The current momentum of de-escalation on the Korean

Peninsula presents all parties with an opportunity to demonstrate greater sincerity for dialogue and negotiation and to facilitate constructive interactions. To put it more broadly, as a partner that all sides can count on, China will continue to uphold the equality of countries regardless of their size, strength and wealth, stand for dialogue and consultation as the only approach to solving disputes and differences, support political settlement to regional hotspots and act constructively to that end. It is our sincere hope that dialogue and cooperation will prevail in our world.

Given that China is still the world's largest developing country, serving development at home remains the top priority on its diplomatic agenda. We will act upon the new development philosophy, present Chinese provinces, regions and cities to the world under the theme "China in the New Era," and contribute to the coordinated development of the Beijing-Tianjin-Hebei region, the planning and development of the Xiongan New Area and the hosting of the 2022 Winter Olympics. We will explore a mechanism for protecting the safety and security of Chinese nationals and entities abroad to effectively safeguard our legitimate rights and interests. China will work with the parties involved to properly address trade disagreements on the basis of mutual respect, equality and mutual benefit.

The year 2018 is the Year of the Dog. In another Year of the Dog 120 years ago, when China was poor and weak because of domestic turmoil and foreign aggression, a group of patriotic Chinese pushed for a "Hundred Days' Reform." They tried but eventually failed to find a way to national rejuvenation and prosperity. Today, 120 years on, China has not only found a path of socialism with Chinese characteristics but also achieved a remarkable transformation — it has stood up, grown rich and is becoming strong.

A sea change has taken place in China, which represents new opportunities for the peace and development of the world. The world that we look forward to is what we will strive for in our diplomatic work in 2018. I encourage our friends around the world to continue to follow China's development and diplomacy. Together, let us write a new chapter in the win-win cooperation between China and the rest of the world.

The author is minister of foreign affairs of China.

## Target: Reform to Be 'Even Bolder'

FROM PAGE 1



**Reform and opening-up was about the market playing an increasingly big role in determining the allocation of resources."**

ZHU NING  
PROFESSOR OF FINANCE AT TSINGHUA UNIVERSITY

"On my reckoning 6.2% per annum for each of the next three years should do it. So there is even a bit of a cushion if things go slightly awry for any reason. China can now afford a bit of a trade-off between the quantity and quality of growth in future," he said.

Douglas McWilliams, deputy chairman of the Centre for Economics and Business Research, the London-based economics consultancy, said the major risk to China comes from global factors outside of Beijing's control.

"The (2020) goal is likely to be met but it is not certain. There is a major world recession building up as the global debt problem unwinds. My best guess is that this will emerge between 2020 and 2025. China will be much more affected this time than it was by the financial crisis," he said.

Premier Li said the reforms that China needed to make remained a continuation of Deng Xiaoping's reform and opening-up, whose 40th anniversary is this year, but that it was now time to be "even bolder" to achieve both the 2020 and the 2050 goals

to become a "great modern socialist country."

"Reform and opening-up was a game-changing move in making China what it is today; it now remains a game-changing move for us to achieve China's two centenary goals," he said.

Zhu at Tsinghua University said Li was right to stress continuity and that China was not moving away from the principles that were the basis of reform and opening-up.

"I don't think we are approaching a big watershed moment where we are moving in to a new growth model. Reform and opening-up was about the market playing an increasingly big role in determining the allocation of resources. I think this path will remain the same. The difference is that the targets are changing fundamentally," he said.

The work report placed great emphasis on poverty reduction, which is one of President Xi's key aims.

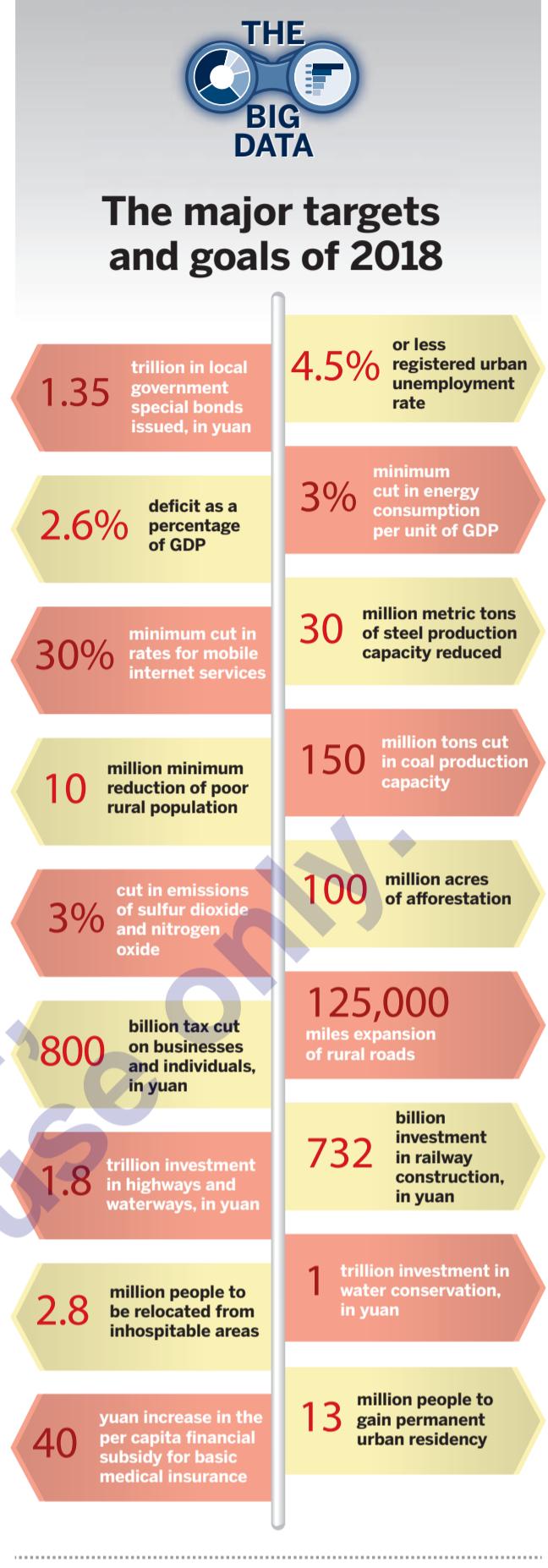
The target will be to lift 10 million people out of poverty in rural areas over the next year with the goal to eliminate extreme poverty by 2020.

"We will tailor measures to individuals and individual households to ensure that targeted poor populations, including elderly people, people with disabilities and people with serious diseases, receive the assistance they need."

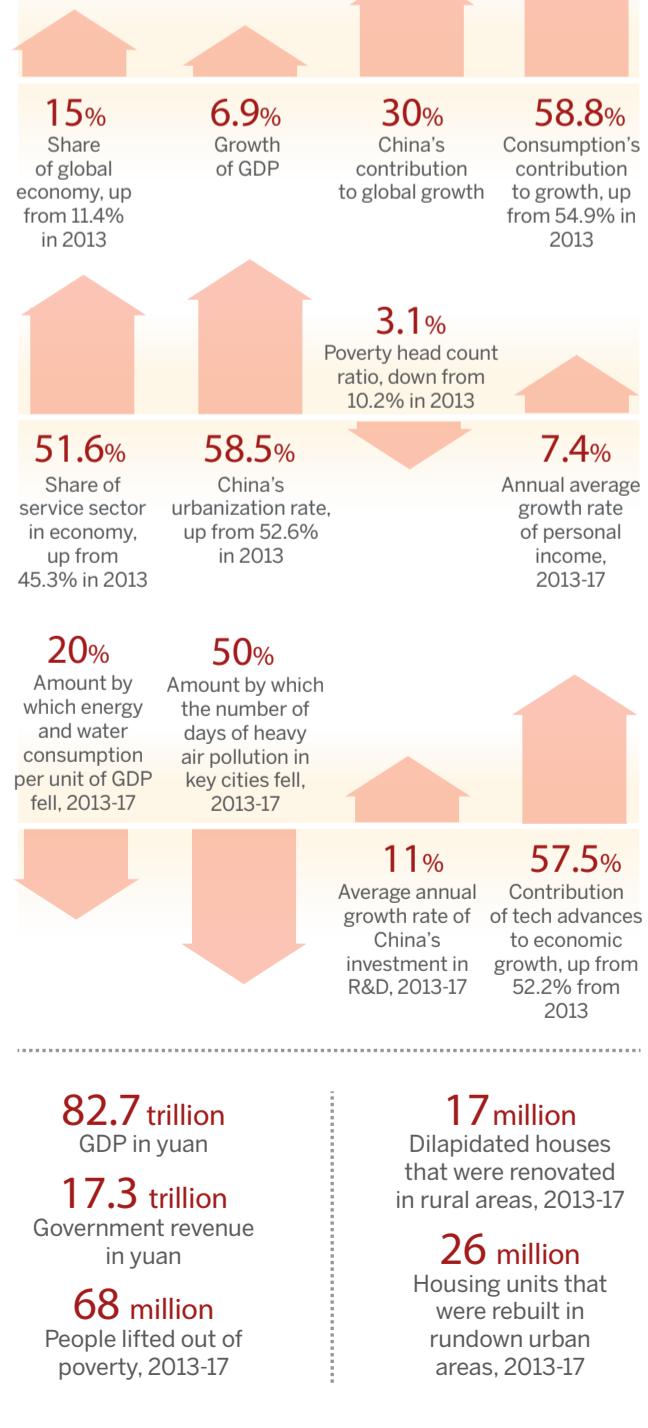
Rana Mitter, director of the Oxford University China Centre, said that rural revitalization was seen as a key strategy in removing poverty.

"There has been a shift away from urbanization being the solution to deal with poverty to improving the countryside and making people better off in the countryside," he said.

George Magnus, an associate at the Oxford University China Centre and an expert on the Chinese economy, said the higher than expected growth last year has made accomplishing the key 2020 target much easier.



#### Economic and social development of China as measured in 2017



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A collector (left) shows off his extensive collection of vintage cameras to camera enthusiasts in Beijing.

PHOTOS PROVIDED TO CHINA DAILY

## Film, Pronounced Dead, Lives Again

Old brands and cameras are finding acceptance among consumers who crave nostalgia. **Ren Xiaojin** reports

**T**echnology has been shaping modern life, and many things can be done by the simple click of a mobile phone. But that has not deterred some young Chinese people from immersing themselves in nostalgia and bringing new life to items from the past.

Nowadays, anyone can shoot a picture and, within minutes, Photoshop it and then upload it online to share with millions. But some still prefer the old ways of photography — mechanical single-lens reflex, range finders, instant cameras and point-and-shoots, whose names have been forgotten by many — which has opened the door to making money from people's obsession with the past.

Lin Fei, 22, a university student, is one of them. Born and raised in the digital age, she is fascinated by the texture of a film picture and prefers to stay in the darkroom, process the film and wait for it to be developed, even though it takes a day or two.

"Unlike digital cameras that can take loads of photographs in a minute, the old ways really make you think about framing and lighting before pressing the shutter," she said.

Besides her studies, she runs an online shop that sells vintage cameras she collects from all around the world.

"Most vintage cameras you see on the market are incredibly cheap, ranging from 50 yuan (\$7.90) to 100 yuan," she said. "Those sellers import electronic product waste from Japan and Europe by metric tons, pick cameras from the garbage, and then sell them whether they are working or not."

Lin realized from her observations that there was a huge market for quality vintage cameras in China and decided to launch her own business two years ago. "I have buyers in Europe and Japan who go to vintage



Camera maker Fujifilm's instant camera is now enjoying a boom.

shops and hand pick the cameras."

Now her shop sells thousands of cameras every year, and there are many shops online like hers that sell film cameras.

Today most brands have stopped selling film cameras, and film rolls are also hard to find as they are replaced by memory sticks. But Fujifilm of Japan, one of the earliest commercial film manufacturers, is still carrying on the mission of reviving film photography.

The company has put high hopes on the Chinese market, which contributed 12% to 13% of the company's global revenue last year.

"Since the advent of digital (camera) in 2000, global demand for color film has fallen sharply by 20% to 30% every year," said Hiroyuki Matsuura, general manager of the photo imaging production division of Fujifilm (China) Investment Co. Ltd.

"Since then, the company has faced the biggest crisis since its inception."

Matsuura said the company decided to preserve its business and even expand it globally.

"First of all, it is more reliable to use film to preserve historical moments. Also, film is a more sentimental

medium, compared with a digital record in a smartphone or a camera. We make the memory warmer by preserving it in film."

Rather than considering it as a dying business that thrives on nostalgia, Fujifilm has turned traditional film photography into a modern fashion by developing an instant camera and turning the camera roll into instant color print film.

"In 2007 the Instax was first shown in a television soap, and it has been a hit in the Asian market since then," Matsuura said.

Leica, one of the most expensive camera brands, also believes that film photography will not die out in the digital age and may even make a comeback.

Jane Cui, president of Leica's Asia division, said while Leica values the traditional photography culture, it will not turn a blind eye to modern technology.

"Many people choose to use social media to save and share their photos. But just like the movie industry, there is a growing demand for movies shot on real film."

"The demand for real pictures has made a comeback. For example, people are using their photos to decorate their walls, and smartphones cannot meet this new demand."

Film photography is not the only classic that is witnessing a revival.

Late in 2017, many classic games, such as Mario Bros, Punch-Out!!, The King of Fighters '95, announced their return to Nintendo Switch, the Japanese game giant's new product released last year.

The development is going to make gaming enthusiasts who grew up in the 1980s and 1990s nostalgic. Cafes and restaurants with vintage loft designs can also be found everywhere in Beijing and Shanghai.

Maybe just as F. Scott Fitzgerald once wrote in his signature novella *The Great Gatsby*, "So we beat on, boats against the current, borne back ceaselessly into the past."

## Celebrated City Tied Up With Bows

By ALYWIN CHEW

It is one of the art and cultural centers in China's Jiangnan region, the area south of the Yangtze River. So, it comes as little surprise that Wuxi's most famous product, the two-stringed bowed instrument the *erhu*, is related to the field music.

Such is the city's reputation for crafting the instruments that it was officially recognized as the Land of the *Erhu* in China by the Chinese Musicians Association in 2011.

Also known as the Chinese violin in the West, the *erhu* comprises a long neck with two tuning pegs located at the top and a sound box partially covered with snake skin at the bottom.

Typically made with either redwood, rosewood or black sandalwood, the *erhu* produces a hauntingly beautiful sound that typically evokes a sense of melancholy among listeners.

Indeed, some of the most well-known tunes played on the *erhu*, such as *Moon Reflected in the Second Spring* by China's most famous *erhu* player, Hua Yanjun, depict this mood.

Hua, more commonly known as A Bing, was born in Wuxi in 1893, and learned how to play a variety of Chinese instruments, including the *erhu*, when he was a child.

He would then play these instruments as his father, who was a Taoist priest, performed religious rites.

Hua's life took a downward spiral following his father's death, and he fell prey to opium addiction and lost sight in both his eyes after contracting syphilis.

Homeless and penniless, he took to the streets as an itinerant *erhu* performer, and this was ironically how he eventually came into fame.

But the *erhu* is more than just a local product — it is the way of life

in Wuxi, at least among older folk.

Since 2013 well-known *erhu* players from around the country have been invited to perform at the city's New Year concerts at the Wuxi Grand Theater as well as on other occasions at the Meicun Erhu Cultural Park.

But Zhou Sujiang, a music teacher at the Wuxi Arts and Culture Institute, said that while many Chinese are captivated by the heart-wrenching and poignant sounds of the *erhu*, children and young adults are slow to warm to the instrument.

"There is no other instrument that can produce as melancholic and bittersweet a sound as the *erhu*. But young people today don't like such music. They prefer more upbeat and edgy tunes. Interest in *erhu* classes at the institute is dwindling."

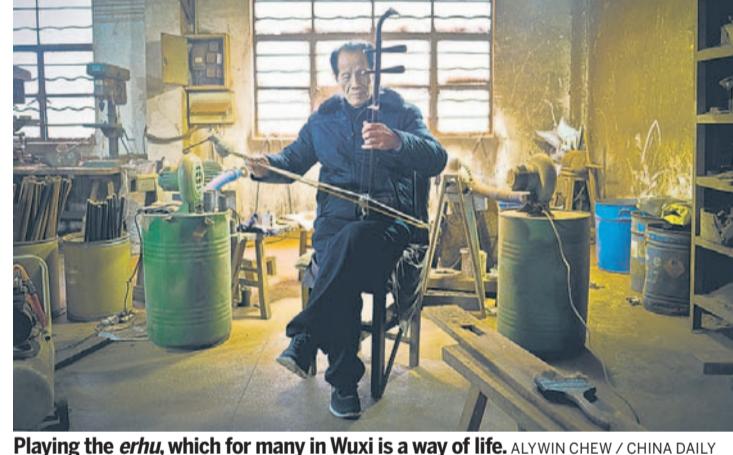
Most *erhu* makers in Wuxi are based in Meicun, a quiet town northeast of the city center that is said to have more than 3,200 years of history as a vibrant arts-and-culture center.

The town's links with the *erhu* date back to 1965 when the first folk-music workshop was founded there, officials say.

Chen Shasha, a prominent young *erhu* player from Meicun, said there are now about 20 *erhu* makers in the town who produce a total of about 50,000 instruments every year, accounting for between 25% and 30% of the market share in China.

Gu Yue is one of the best-known companies making the instrument in China. And the company — founded by Wan Qixing more than 60 years ago — has a factory in Meicun, which is home to dozens of middle-aged artisans who painstakingly assemble each *erhu* by hand.

There is no high-tech production line here, just rudimentary tools such as sewing machines, drills, saws and disc sanders.



Playing the *erhu*, which for many in Wuxi is a way of life. ALYWIN CHEW / CHINA DAILY

### CONTACT US

#### China Daily

15 Huixin Dongjie,  
Chaoyang, Beijing,  
China 100029

+86 (0) 10 64918366

chinawatch@chinadaily.com.cn

Advertising:

+86 (0) 10 64918631;

ads@chinadaily.com.cn

Website:

www.chinadaily.com.cn

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China Daily U.S.A.

1500 Broadway, Suite 2800,  
New York,  
NY 10036

+1 212 537 8888

editor@chinadailyusa.com

#### China Daily Asia Pacific China Daily Hong Kong

Room 1818, Hing Wai Centre,  
7 Tin Wan Praya Road, Aberdeen,  
Hong Kong

+852 2518 5111

editor@chinadailyhk.com

China Daily U.K.

90 Cannon Street, London  
EC4N 6HA

+44 (0) 207 398 8270

editor@chinadailyuk.com

#### China Daily Africa

P.O.Box 27281-00100,  
Nairobi, Kenya

+254 (0) 20 2428589

editor@chinadailyafrica.com

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## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average

**23957.89** ▼724.42, or 2.93%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.07 21.07  
P/E estimate \* 16.90 17.92  
Dividend yield 2.23 2.36  
All-time high 26616.71, 01/26/18



Current divisor 0.14523396877348  
26800  
26000  
25200  
24400  
23600  
22800  
Session high  
DOWN UP Close  
Close Open  
Session low  
22000

Bars measure the point change from session's open Session low

Dec. Jan. Feb. Mar.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## S&amp;P 500 Index

**2643.69** ▼68.24, or 2.52%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.68 24.89  
P/E estimate \* 17.60 18.35  
Dividend yield 1.86 1.97  
All-time high 2872.87, 01/26/18



2900  
2825  
2750  
2675  
2600  
2525

Dec. Jan. Feb. Mar.

## Nasdaq Composite Index

**7166.68** ▼178.61, or 2.43%  
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 26.84 26.02  
P/E estimate \* 21.10 20.32  
Dividend yield 0.98 1.12  
All-time high 7588.32, 03/12/18



7500  
7300  
7100  
6900  
6700  
6500

Dec. Jan. Feb. Mar.

## Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD % chg	3-yr. ann.
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Dow Jones	24526.01	23938.74	<b>23957.89</b>	-724.42	-2.93	26616.71	20404.49	16.0	-3.1	9.7
Transportation Avg	10612.86	10346.85	<b>10353.46</b>	-304.27	-2.85	11373.38	8783.74	15.9	-2.4	4.2
Utility Average	693.84	678.86	<b>683.15</b>	3.59	0.53	774.47	647.90	-2.8	-5.6	4.7

Total Stock Market	27980.14	27430.45	<b>27441.45</b>	-695.77	-2.47	29630.47	24125.20	13.0	-0.8	7.5
Barron's 400	729.62	714.80	<b>714.81</b>	-18.60	-2.54	757.37	610.89	16.1	0.5	7.6

Nasdaq Stock Market	7303.19	7164.38	<b>7166.68</b>	-178.61	-2.43	7588.32	5805.15	23.2	3.8	12.6
Nasdaq 100	6809.94	6679.35	<b>6682.26</b>	-171.20	-2.50	7131.12	5353.59	24.8	4.5	14.4

S&P	500 Index	2695.68	2641.59	<b>2643.69</b>	-68.24	-2.52	2872.87	2328.95	12.7	-1.1	7.8
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MidCap 400	1915.40	1875.86	<b>1875.86</b>	-48.83	-2.54	1995.23	1681.04	10.6	-1.3	6.8
SmallCap 600	962.24	943.35	<b>943.41</b>	-20.74	-2.15	979.57	815.62	14.2	0.8	9.1

Other Indexes	Russell 2000	1576.59	1543.87	<b>1543.87</b>	-35.43	-2.24	1610.71	1345.24	14.1	0.5	6.8
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NYSE Composite	12597.10	12369.73	<b>12377.39</b>	-306.37	-2.42	13637.02	11324.53	8.3	-3.4	3.8
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Value Line	560.29	547.68	<b>547.71</b>	-12.58	-2.25	589.69	503.24	7.0	-2.6	2.0
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NYSE Arca Biotech	4711.86	4598.31	<b>4600.10</b>	-108.20	-2.30	4939.86	3449.61	31.9	8.9	2.8
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NYSE Arca Pharma	534.36	523.21	<b>524.21</b>	-15.87	-2.94	593.12	498.46	2.7	-3.8	-3.5
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KWB Bank	111.44	107.24	<b>107.54</b>	-4.64	-4.14	116.52	88.02	18.5	0.8	13.3
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PHLX® Gold/Silver	80.62	79.28	<b>79.39</b>	-1.20	-1.49	93.26	76.42	-6.0	-6.9	4.7
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PHLX® Oil Service	140.57	136.62	<b>137.00</b>	-4.36	-3.08	171.55	117.79	-16.4	-8.4	-10.0
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PHLX® Semiconductor	1399.63	1368.50	<b>1368.98</b>	-39.00	-2.77	1445.90	960.01	37.3	9.3	23.3
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Cboe Volatility	23.81	18.12	<b>23.34</b>	5.48	30.68	37.32	9.14	77.9	111.4	21.5
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\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

## Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	17,924.7	263.55	-0.12	-0.05	270.44	263.19	
Blackstone Group	BX	10,296.8	32.50	0.01	0.03	32.62	32.48	
Micron Technology	MU	6,846.4	56.71	-2.21	-3.75	59.45	53.85	
KKR	KKR	5,950.3	21.08	0.01	0.05	21.15	21.01	

iShares MSCI Emeq Markets	EEM	5,579.9	47.87	0.01	0.02	47.88	47.73	
iShares MSCI EAFE ETF	EFA	3,913.7	68.50	-0.20	-0.29	69.88	68.50	
PwrShrs QQQ Tr Series 1	QQQ	3,628.2	162.45	-0.35	-0.21	164.88	162.27	
iShiBoxx \$ Inv Gr Cp Bd	LQD	2,800.2	116.01	-0.08	-0.07	116.09	116.00	

## Percentage gainers...

SMART Global Holdings	SGH	75.7	48.00	3.93	8.92	49.50	46.39	
Nike CI B	NKE	1,212.7	68.20	3.78	5.87	69.30	63.06	
Office Depot	ODP	154.5	2.27	0.12	5.58	2.27	2.13	
Geron	GERN	133.4	5.43	0.17	3.23	5.44	5.26	
Macquarie Infrastructure	MIC	50.1	37.80	0.97	2.63	37.80	36.80	

## ...And losers

Progenics Pharmaceuticals	PGNX	266.3	6.77	-1.59	-19.02	8.36	6.53	
American Tower REIT	AMT	75.8	137.00	-6.01	-4.20	143.51	137.00	
Micron Technology	MU	6,846.4	56.71	-2.21	-3.75	59.45	53.85	
ProSharesUltVIXST	UVXY							

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	3.0485	3.0485	2.9955	3.0120	-0.0365	1,136	
March		3.0485	3.0890	3.0300	3.0200	-0.0385	150,898	
May		3.0785	3.0890	3.0300	3.0200	-0.0385	150,898	
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1332.00	1335.00	1324.60	1327.40	5.90	198,405	
April		1332.00	1340.80	1330.30	1333.20	5.90	252,515	
June		1338.00	1340.80	1336.80	1339.30	5.90	45,187	
Aug		1343.70	1345.70	1344.10	1345.30	6.00	6,117	
Oct		1350.10	1352.30	1350.40	1351.70	5.90	43,392	
Dec		1356.50	1358.30	1350.40	1351.70	5.70	2,776	
Feb'19		1361.70	1361.70	1358.80	1357.90	5.70		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	984.00	991.35	968.00	981.80	-4.65	23,379	
Sept		983.55	983.55	963.50	976.95	-4.70	1,103	
Dec		983.55	983.55	971.95	971.95	-4.50	33	
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	958.30	963.80	945.80	949.10	-1.50	36,628	
July		963.30	969.00	951.80	954.90	-1.25	38,196	
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	16.490	16.505	16.490	16.328	-0.029	126	
May		16.565	16.610	16.330	16.387	-0.032	150,407	
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	65.62	65.74	64.14	64.30	-0.87	535,408	
May		65.41	65.52	64.00	64.18	-0.77	350,689	
July		65.01	65.11	63.65	63.83	-0.48	143,839	
Sept		63.88	64.00	62.63	62.84	-0.58	156,021	
Dec		62.23	62.46	61.08	61.35	-0.43	245,776	
Dec'19		57.48	57.65	56.57	56.90	-0.23	126,993	
NY Harbor UlSD (NYM)	-42,000 gal.; \$ per gal.	2.0156	2.0156	1.9807	1.9923	-0.0114	47,607	
April		2.0179	2.0192	1.9839	1.9950	-0.0124	115,040	
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.	2.0212	2.0227	1.9890	2.0096	-0.0026	51,389	
May		2.0306	2.0322	1.9978	2.0179	-0.0043	157,594	
Natural Gas (NYM)	-10,000 MMBtu's; \$ per MMBtu.	2.0156	2.0156	1.9807	1.9923	-0.0114	47,607	
April		2.0179	2.0192	1.9839	1.9950	-0.0124	115,040	
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April		2.0179	2.0192	1.9839	1.9950			

## BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE.

The list compiles the 1,000 largest companies based on market capitalization.

**Underlined quotations** are those stocks with large changes in volume compared with the issue's average trading volume.

**Boldfaced quotations** highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, March 22, 2018

Net Stock Sym Close Chg

A B C

Stock Sym Close Chg

## BANKING &amp; FINANCE



Naspers's share of Tencent will be 31.2% after the sale. QR codes are displayed at Tencent's WeChat conference in January.

## Wager on Neighbor Proves Lucrative

By BRIAN BLACKSTONE

ZURICH—The biggest winner of one of the past year's best stock bets is a German investor who bought into Switzerland's central bank.

Düsseldorf, Germany-based businessman Theo Siegert's stake in the **Swiss National Bank** soared in value over the past year as the central bank's stock price gained more than 250%.

The SNB is a rarity among central banks—Japan and Belgium are others—in that it has listed shares. The SNB's shares have more than tripled since the start of last year, even though analysts struggle to explain why. On Thursday, the shares closed at 5,800 Swiss francs (\$6,107.98), flat for the day. Only one stock on the Stoxx Europe 600 index gained by more: Belgian drugmaker **Abylyn NV** surged after being bought out by French rival **Sanofi SA** in January.

Mr. Siegert was the SNB's second-largest shareholder last year, according to the SNB's annual report released Thursday, ceding the top spot he held at the end of 2016 to the Swiss canton of Berne. Mr. Siegert reduced his stake by 650 shares last year, leaving him with 6,070 shares at year-end. Those 650 shares could have been valued at well over 2 million francs, depending on when they were sold.

Recently, Naspers has taken on industry giants in other sectors. The company launched a video-streaming service called ShowMax across Africa in 2015, just ahead of Netflix Inc.'s entry on the continent.

Naspers is also going toe-to-toe with Craigslist Inc. in the U.S. with mobile app Letgo. In 2016, the company opened a venture-capital outfit in Silicon Valley to be closer to the tech-innovation hub.

—Alexandra Wexler

Even accounting for the lower number of shares, Mr. Siegert's stake doubled in value last year, to nearly 24 million francs, based on the year-end closing price. His 6,070 shares were valued at 35.2 million francs on Thursday, assuming he has held on to them this year.

Mr. Siegert didn't respond to requests for comment. He has previously declined to

comment on his investments.

Mr. Siegert, 70 years old, isn't a household name even in Germany, where he runs his family business, **de Haen-Carstanjen & Söhne**. It was originally set up as a trading business 200 years ago, dealing with goods for drugstores, among other things. Today, it is a family office, managing investments. He sits on the boards of several large German companies, including **E.ON SE**, **Henkel AG** and **Merck KGaA**, according to his company's website.

Still, the root of the gains for Mr. Siegert and the SNB's other 2,191 private investors is a bit of a mystery. The SNB isn't like other stocks and pays

## 250%

Rise in Swiss National Bank's stock price over past year

a tiny dividend. It is governed under laws for both public and private institutions, and owned primarily by individual Swiss states, known as cantons, and cantonal banks. Public-sector bodies own almost 80% of voting shares.

Shareholders have no say in the SNB's monetary policy or how it manages its 790 billion franc war chest of foreign-currency stocks and bonds, built up through years of interventions to weaken the franc.

On the plus side, the SNB is perceived as ultrasafe. It prints its own currency—and the franc is among the world's strongest—which it uses to buy assets. When the SNB loses money, it can always print more.

## Swiss Bliss

German investor Theo Siegert is the Swiss National Bank's largest private shareholder, and the value of his stake has soared along with the SNB's share price.

## Stake in the Swiss National Bank owned by Mr. Siegert



100 Swiss francs = \$105.34  
Sources: Swiss National Bank (stake); WSJ Market Data Group (share price)

THE WALL STREET JOURNAL.

misconduct against employees.

His position as a major shareholder in Wynn Resorts had left him and the company subject to additional scrutiny by regulators in Nevada and Massachusetts, who are investigating the claims.

Mr. Wynn has said it was "preposterous" that he would assault a woman; he hasn't responded to other allegations. A lawyer for Mr. Wynn didn't immediately provide comment Thursday beyond an earlier statement he had issued saying that Mr. Wynn would decline to cooperate with the Journal because he doesn't believe the newspaper will treat him fairly.

Mr. Wynn sold his shares in the middle of their recent trading range. Wynn Resorts stock had risen to over \$200 a

share by late January before plunging after the Jan. 26 article in the Journal and hovering around the low \$160s for much of February.

The shares regained ground in March following the company's efforts to distance itself from Mr. Wynn and to resolve outstanding litigation. In 2002, underwriters priced Wynn Resorts' initial public offering at \$13 a share. The stock price peaked at just over \$247 in March 2014.

Over the past month, the company and Mr. Wynn had worked to remove several roadblocks that prevented him from being able to sell his stock. A shareholder agreement dating to 2010 had prevented Mr. Wynn, Ms. Wynn and a former business partner, Universal Entertainment Corp., from selling without the permission of the other parties.

Wynn Resorts earlier this month agreed to pay \$2.6 billion to settle litigation with Universal, which then agreed to drop its rights in the shareholder agreement. Last week, Mr. Wynn and Ms. Wynn agreed in a Nevada state court to dissolve their part of the shareholder agreement.

Another complication resolved Tuesday involved an agreement with the company's bondholders. Under the previous terms of one set of notes, the company could have been forced to offer to buy back all of the bonds issued by its Wynn Las Vegas subsidiary if any investor were to gain a larger share in the company than Mr. and Ms. Wynn combined.

The company on Tuesday said it had reached a deal with bondholders to rewrite that provision in exchange for \$25 million.

## WYNN

Continued from page B1

nificant outside investment," he wrote. Casino industry executives and analysts have discussed growing concerns about whether the Macau government will renew licenses

Facebook shares have tumbled this week after criticism over its handling of user information.

The controversy has prompted renewed calls for governments around the world to better regulate giant technology companies that have amassed large volumes of user data.

The tech-heavy Nasdaq Composite has fallen in six of the past eight trading days, and is down 5.6% from its record earlier this month.

The sale of Tencent shares could add more pressure to global tech stocks.

Tencent, along with search giant Baidu.com Inc. and e-commerce titan Alibaba Group Holding Ltd., make up the three so-called BAT stocks that, because of their size, clout and market dominance in

Asia, are routinely compared with the U.S.'s closely watched FAANG stocks—Facebook, Amazon.com Inc., Apple Inc., Netflix Inc. and Alphabet Inc.-owned Google.

A survey this week by Bank of America Merrill Lynch found that the "long FAANG+BAT" trade—meaning investors who have piled into these technology giants—was the most crowded trade on Wall Street.

Nevertheless, Naspers will still be a major shareholder in Tencent and several other tech companies. The company, founded in 1915, also holds stakes in a host of other tech firms, including Mail.ru Group, a Russian internet company that runs two of the country's three biggest social networks; Delivery Hero, a food-delivery company based in Germany; and Flipkart, India's biggest e-commerce site.

in the late 1980s and 1990s, only to lose them in a sale to Kirk Kerkorian's MGM Grand Inc. in 2000, he returned in 2005 with the opulent Wynn Las Vegas resort on the Strip.

The company later went on to build two resorts in Macau and is building a \$2.4 billion casino in the Boston area.

All that remains of Mr. Wynn at the casino empire—aside from the fact that he is allowed to reside in a villa at the Las Vegas casino through May—is his signature splashed as a logo atop its casino resorts.

Mr. Wynn resigned last month as chairman and chief executive of Wynn Resorts following a January article in The Wall Street Journal that detailed allegations of a decadeslong pattern of his sexual

underscoring the appeal of the asset class in the current environment, mutual funds that specialize in leveraged loans have recorded net inflows of \$2.3 billion through the past 10 weeks ended March 14, according to data service Thomson Reuters Lipper. High-yield bond mutual funds and exchange-traded funds have experienced outflows of \$13.9 billion over the same period.

—Ben Eisen

and Greg Bensinger contributed to this article.



Steve Wynn and the company worked to remove roadblocks preventing him from selling his stock.

CHARLES KRUPA/AP

## Naspers Reduces Stake in Tencent

BY STEVEN RUSSOLILLO

AND ALEXANDRA WEXLER

One of the oldest and largest investors in **Tencent Holdings** Ltd. is selling close to \$10 billion of shares in the Chinese internet giant, reducing one of the world's most lucrative tech bets at a time of turbulence for the sector.

**Naspers** Ltd., a South African media and internet firm, said Thursday it will sell 190 million shares of Tencent, cutting its stake in the company to 31.2% from 33.2%. The shares were priced at HK\$405 each on Friday morning in Hong Kong, a 7.8% discount to Tencent's closing share price the previous day.

The sale represents a windfall for Naspers, which paid just \$34 million for its Tencent stake in 2001—before it went public—a position that is now valued at roughly \$175 billion. It hadn't sold any of its Tencent stock before and said it won't sell any more of its shares for at least three years.

Tencent, best known in China for its WeChat messaging app and being the world's largest videogame publisher by revenue, has become one of the world's most valuable technology companies. Its shares have nearly doubled over the past year, catapulting the company's market capitalization to about \$532 billion, putting it ahead of Facebook Inc. and Berkshire Hathaway Inc.

Tencent's shares fell 5% on Thursday in Hong Kong after the company's quarterly results, reported a day earlier, showed slowing revenue growth from mobile and PC games, one of its main profit drivers.

The sale comes at a sensitive

time for global technology stocks, which have been on a tear for much of the past year.

Facebook shares have tumbled this week after criticism over its handling of user information.

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## MARKETS

# Treasurys Rally on Back of Trade Fear

By DANIEL KRUGER

U.S. government bonds rallied Thursday amid investor concerns about trade tensions with China and a Federal Reserve statement perceived as more dovish than expected.

**CREDIT MARKETS** The yield on the benchmark 10-year Treasury note fell to 2.832% from 2.901% Wednesday, notching its biggest one-day fall in more than six months. Yields fall as bond prices rise.

Stocks and bond yields fell after the Trump administration announced anti-China tariffs that could affect \$50 billion of imports. The White House also said the U.S. will bring a case to the World Trade Organization arguing that China is favoring domestic companies on licensing.

"Tariffs and trade friction" led investors to buy bonds on fears that they will lead to slower economic growth, said Aaron Kohli, an interest-rate strategist at BMO Capital Markets. "It's a drag on the stock market."

The anxiety over trade issues followed a Fed meeting where policy makers showed a reluctance to pencil in an additional increase in interest rates in 2018, which bond investors saw as a dovish signal.

Fed officials on Wednesday increased their benchmark federal-funds rate to a range between 1.5% and 1.75% and maintained a median forecast for three rate increases for this year. Nevertheless, seven of 15 participants now expect at least four rate increases this year, an increase from four of 16 at the December meeting.

Analysts said the consensus holding at three increases appeared dovish, potentially supporting higher bond prices.

**AUCTION RESULTS**

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

**NINE-YEAR, 10-MONTH TIPS**

Applications	\$28,118,982,700
Accepted bids	\$11,000,002,700
"noncompetitive"	\$16,102,700
Auction price (rate)	97.935177 (0.764%)
Interest rate	0.500%
Bids at clearing yield accepted	94.40%
Cusip number	912823R9

The Treasury inflation-protected securities, dated March 29, 2018, mature on Jan. 15, 2028.

**Treasury Auctions**

The U.S. Treasury Department will auction \$229 billion in securities next week, comprising \$163 billion in new debt and \$66 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on Dec. 28, 2017, maturing June 28, 2018. Cusip number: 912796PM5.

Also, \$45 billion in 26-week bills, dated March 29, 2018, maturing Sept. 27, 2018. Cusip number: 912796QA0.

Also, \$30 billion in two-year notes, dated April 2, 2018, maturing March 31, 2020. Cusip number: 9128284C1.

Noncompetitive tenders for the bills must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m. EDT Monday.

♦ **Tuesday:** \$24 billion in 52-week bills, dated March 29, 2018, maturing March 28, 2019. Cusip number: 912796PX1.

Also, \$35 billion in five-year notes, dated April 2, 2018, maturing March 31, 2023. Cusip number: 9128284D9.

Noncompetitive tenders for the bills must be received by 11 a.m. EDT Tuesday and competitive tenders, by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m. EDT Tuesday.

♦ **Wednesday:** \$15 billion in one-year, 10-month 0% floating-rate notes, a reopening of an issue first sold on Jan. 31, 2018, maturing Jan. 31, 2020. Cusip number: 9128283T5.

Also, \$29 billion in seven-year notes, dated April 2, 2018, maturing March 31, 2025. Cusip number: 9128284F4.

Noncompetitive tenders for the FRNs must be received by 11 a.m. EDT Wednesday and competitive tenders by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m. EDT on Wednesday.

# Dropbox IPO Tops Expectations

By MAUREEN FARRELL

Dropbox Inc. priced its initial public offering above the already increased price range it gave investors earlier this week, a sign of the strong demand for the stock.

The offering priced at \$21, topping the boosted range of \$18 to \$20 the data-storage and collaboration company had given earlier this week. Initially, the company had set a range of \$16 to \$18 for the shares when it kicked off its meetings with investors last week.

With IPOs of large tech companies in short supply, investors said they are eager to own shares of a firm that has already generated \$1 billion in revenue as of last year and has high growth potential.

At that price, Dropbox would achieve a valuation of roughly \$9.2 billion on a fully diluted basis. The deal was

heavily oversubscribed, meaning investors only received a portion of the shares they requested, according to people familiar with the deal.

That dynamic should set Dropbox up for a solid increase in its share price on the first day of trading Friday on Nasdaq under the symbol "DBX," but a volatile market backdrop could cast a shadow on Dropbox's debut. U.S. stocks declined sharply Thursday, with the Dow Jones Industrial Average falling more than 700 points, on investors' concern over the prospects of a trade war.

Dropbox's IPO would raise \$756 million, in addition to \$100 million Salesforce.com Inc. invested in the company through a private placement ahead of the listing.

Strong demand for Dropbox's shares could also bode well for the long line of richly

valued tech startups still waiting on the sidelines to list.

As one of the few companies valued at \$1 billion or more to test the public markets in recent years, Dropbox is expected to be a barometer for others, and a solid de-

Dropbox won't surpass the \$10 billion valuation that private investors gave it in 2014, even as major indexes have risen sharply.

Investors from top venture-capital firms such as Sequoia Capital and Accel Partners as well as mutual funds including Fidelity Investments and T. Rowe Price have collectively pumped more than \$600 million into Dropbox, viewing the company as having enormous potential to dominate the consumer business of file storage.

Dropbox, which lets users store, share and collaborate on documents, photos and other files online, is among the oldest of the billion-dollar startups. The company was founded in 2007 by Drew Houston and Arash Ferdowsi.

Over the past few years, Dropbox has faced intense competition from tech giants like Alphabet Inc.'s Google and Apple Inc., which have pushed

into the consumer-storage space. Dropbox also has begun offering storage for businesses.

The 11-year-old company has never turned a yearly profit, which isn't uncommon for tech startups seeking to go public. For last year it reported a net loss of \$11.7 million on \$11 billion of revenue.

While Dropbox's losses have been shrinking, its revenue growth has also slowed. It now has more than 500 million registered users, most of whom use its free, basic service with limited storage. It has roughly 11 million paying users.

Despite a pushback against dual-class shares from index funds and the SEC in recent months, Dropbox will have a dual-class structure that gives the founders and some investors 10 votes a share, compared with one vote a share for investors buying shares in the public markets.

# Hong Kong to Ease Rules for Biotech Firms

By PREETIKA RANA AND JULIE STEINBERG

Hong Kong's stock exchange is gearing up to allow biotechnology companies to sell shares before generating any revenue—and companies are preparing to rush in.

Dozens of early-stage drug-makers and other biotech firms are planning to list in Hong Kong over the next two years, say executives, bankers and investors, as the exchange pushes through its biggest regulatory overhaul in decades.

U.S. companies looking to go public include **Moderna Therapeutics** Inc., a Cambridge, Mass.-based startup that is considering a dual listing on Nasdaq and Hong Kong as early as next year, according to a person familiar with the company's plans.

Moderna earlier this year raised \$500 million in a private financing round that valued it at close to \$7 billion. The seven-year-old company is testing vaccines and experimental drugs designed to instruct the body's cells to produce proteins that could prevent and treat a host of diseases.

**Grail** Inc., a Menlo Park, Calif., company whose backers include Bill Gates and Alphabet Inc.'s venture-capital arm, is also planning a Hong Kong listing, according to a person familiar with the matter.

Grail, which hopes to develop blood tests for early-stage cancer detection, last year merged with a Hong Kong-based startup that claims to have developed such a test to detect a rare head and neck cancer.

Hong Kong Exchanges & Clearing Ltd. is expected to complete rules by late April that will allow biotech companies that have yet to generate any revenue or profit to list in the city, making it the second



Moderna Therapeutics is looking at a dual listing on Nasdaq and in Hong Kong. Inside one of its labs in Cambridge, Mass.

exchange after Nasdaq to do so.

The looser requirements would give early-stage biotech firms another option to raise funds to help pay for costly drug trials and research, and allow them to tap into a wider pool of investors—including those from China.

To be sure, there are significant risks for investors.

Buying into pre-revenue biotech companies can be a boom-or-bust proposition. For every company that turns out to be a success, there are many that end up failing. One concern is that Hong Kong is inviting new listings in a market that has relatively few institutional investors and brokerages specializing in biotech stocks.

Charles Li, the exchange's chief executive, acknowledged the potential pitfalls in an interview this week.

"The last thing we want to do is open up a new sector and have a big bust," he said. "Do I lose sleep? Yes, I do."

Still, he said he wants investors and companies to be in a position to reap potential outsize returns. Since 2010, the Nasdaq Biotech Index has returned 312%, compared with 143% for the broader S&P 500, excluding dividends.

Mr. Li said the Hong Kong listings won't be a free-for-all. Pre-revenue biotech companies need to have successfully completed a phase-1 drug trial to list, among other requirements being discussed. Drug candidates are tested on hu-

mans over three phases.

Hundreds of industry executives, investors and bankers from the U.S., China and other countries gathered Thursday in Hong Kong at a biotech event organized by the exchange, with many others tuning in via a live stream.

David Lau, head of global investment banking for Hong Kong at JPMorgan Chase & Co., said his bank has fielded inquiries from biotechs in mainland China, South Korea, Taiwan and the U.S. about listing in the city. Bankers expect offering sizes to span a few hundred million dollars on average.

Hong Kong's opening up is also drawing companies that have been listed in other markets.

**Booming Biotech**

U.S. biotech stocks have outperformed the broader market by a wide margin.



# Oil Slips From 7-Week High

By ALISON SIDER AND SARAH MCFARLANE

Oil prices had their worst day in two weeks, retreating from a seven-week high as the White House announced new tariffs aimed at China, raising fears that

**COMMODITIES** curtailed trade could

crimp global economic growth.

U.S. crude prices for May delivery fell 87 cents, or 1.3%, to \$64.30 a barrel on the New York Mercantile Exchange on Thursday.

Brent, the global benchmark, dropped 56 cents, or 0.8%, to \$68.91 a barrel on ICE Futures Europe.

Oil has often come under the sway of broader financial markets in recent weeks, and escalating trade tensions with China weighed on stock and oil prices Thursday. President Donald Trump said Thursday that the U.S. is planning to levy tariffs on about \$60 billion of imports from China and to impose restrictions on the country's technology transfers and acquisitions.

"Concerns about these tar-



iffs and what it's going to do to trade and the global econ-

omy has triggered a little softening," said Gene McGillian, research manager at Tradition Energy.

Meanwhile, the U.S. dollar strengthened slightly, something that often makes commodities that are priced in dollars more expensive for buyers using foreign currencies.

Crude prices had increased

more than 5% Tuesday and Wednesday, testing recent highs amid concerns about U.S. relations with major oil producers Venezuela and Iran.

"It's a good area to back off. The question now is how much does it give back before finding its legs again," said Ric Navy, senior vice president for energy futures at **R.J. O'Brien & Associates**.

Crude prices had increased

# 'Fear Gauge' Needle Pushes Into the Red

By ASJLYN LODER

Wall Street's "fear gauge" has hit a record-breaking bout of turbulence.

The Cboe Volatility Index, a measure that investors use to track the speed and severity of market moves, climbed 31% Thursday as U.S. stocks fell for a second consecutive day.

Stock-market reversals have made 2018 one of the most tumultuous on record for the volatility index, better known as the VIX.

The gauge has surged by more than 20% six times this year, sending the Cboe VIX or VIX index, which measures moves of the VIX itself, to a record during the quarter.

The VIX uses options on the S&P 500 index to measure traders' expectations for short-term market moves. It typically rises when stocks fall, which is why traders buy volatility futures, options and exchange-traded funds as insurance against a sudden mar-

ket reversal.

U.S. stocks fell sharply on Thursday. The Dow Jones Industrial Average dropped 2.9%, and the S&P 500 declined 2.5%, amid fresh worries over whether plans for tariffs would fan the threat of a trade war. The resurgence in volatility comes amid concerns among investors that the nine-year bull market may be losing its momentum.

"There's more risk premium being priced into stocks right now," said Pravit Chintawongvanich, head of derivatives strategy at broker-dealer Macro Risk Advisors. "People think stocks are riskier than they were before. Why that is—it could be tariffs, they could have woken up on the wrong side of the bed—who knows?"

Last month's sudden market downturn shattered a prolonged period of quiet during which the VIX remained subdued. But when stocks plunged on Feb. 5, the VIX more than doubled. Three days later, as stocks plummeted again, the VIX of VIX hit a record of 180.61, according to Cboe data.

## MARKETS

# Air Is Coming Out of Inflation Wagers

BY DANIEL KRUGER

Measures of investors' bets on a pickup in inflation are falling from recent highs, a sign that many believe tax cuts and increased government spending aren't likely to jolt the U.S. economy from its tepid post-recession expansion for long.

The 10-year break-even rate, which tracks investors' expectations for average annual inflation over the next 10 years, settled Thursday at 2.10%, according to Thomson Reuters, after hitting 2.16% last month—its highest level in more than three years. A measure of inflation expectations for the five-year period beginning in 2023 closed Thursday at 2.10%, down from a recent peak of 2.25% in February.

The moderation of those wagers marks a significant reversal from earlier in the year, when signs of accelerating inflation upended financial markets, spurring sharp selling in stocks and helping send Treasury yields to multiyear highs.

In one sign that expectations have shifted, the climb in Treasury yields has stalled, with the yield on the benchmark 10-year Treasury note still below 3%—a level it last reached at the end of 2013. Inflation poses a threat to the value of government bonds because it erodes the purchasing power of their fixed payments.

The day after the Federal Reserve raised interest rates Wednesday, noting average annual inflation is expected to "move up in coming months," the 10-year yield had its biggest drop in more than six months, settling at 2.832%, compared with its 2018 high of 2.943% reached Feb. 21.

"Inflation pressures have been more expected than realized," said Matt Freund, co-chief investment officer and head of fixed-income strategies at Calamos Investments.

Much of the belief that inflation might accelerate in



Still, Treasury yields and oil prices have risen recently and the Fed has raised rates.



Sources: Thomson Reuters (inflation rates); Ryan ALM (Treasury yield); SIX Financial (oil); FactSet (Fed target rate)

2018, nine years into one of the longest expansions on record, was rooted in the recent \$1.5 trillion tax cut. Investors anticipated that overhaul would spur business investment and lead companies to raise pay for their employees. A \$300 billion, two-year federal funding increase also boosted expectations for growth and rising prices.

Yet recent data have suggested inflationary pressures are still relatively muted—something that could help cap a rise in bond yields for now. A gauge of consumer prices rose less than expected in February, while wage growth slowed from the previous month and the annual wage gain in January—one element behind the selling in stocks and bonds

earlier in the year—was revised downward.

Many investors and economists had speculated that rising worker pay would lead to an increase in consumer spending and higher prices, the kind of inflation widely regarded as healthy. Yet consumers may already have accelerated spending in anticipation of tax cuts or higher wages, Mr.

Freund said. He noted a rise in personal savings in January suggested consumers earning incomes near the national median may have felt the need to improve their personal balance sheets after overspending. The Fed noted Wednesday that economic data on spending and business investment have moderated from strong readings at the end of last year,

while signaling it could raise short-term interest rates at a slightly more aggressive pace in coming years to keep the strengthening economy on an even keel. And compared with December, more officials think they will need to raise interest rates at least four times this year if the economy performs in line with their expectations.

While inflation expectations appear stalled, investors submitted an above-average amount of bids at the government's \$11 billion auction of Treasury inflation-protected securities, a sign that demand persists among some investors for a hedge against higher prices.

The price index for personal-consumption expenditures, the Fed's preferred inflation measure, advanced 0.4% in January from a month earlier and 1.7% from a year earlier. The annual gain was the same as recorded in December and November. The index has undershot the Fed's 2% target for annual inflation in 67 of the past 69 months.

At the same time, tighter financial conditions and rising market volatility have "increased the probability of a policy error" as the Fed continues to raise rates, said Daniela Mardaravici, who helps manage the BMO TCH Core Plus Bond Fund. Such mistakes could slow growth or tip the U.S. into recession.

Some analysts said inflation remains hindered by structural forces, such as improving technology, an aging population and the possibility of a decline in immigration, which could reduce the available workforce. That means investors would need to see higher wages, stronger demand or higher commodity prices, such as for oil, to bet on a further climb.

"The market has fully discounted all of the imminent upticks to inflation," said Gemma Wright-Casparius, who manages the Vanguard Inflation-Protected Securities Fund.

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

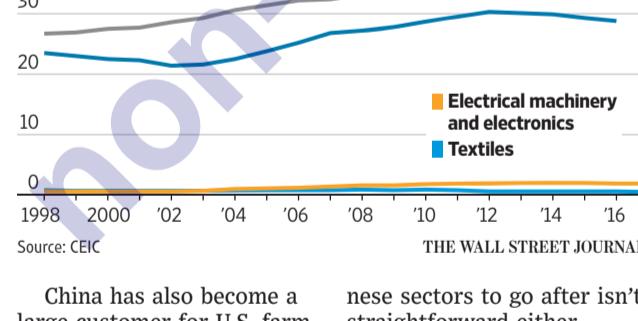
WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

# U.S. Leverage on China Weakens

## Factory Floor

Chinese workers employed, percent of total



China has also become a large customer for U.S. farm products. Purchases have roughly tripled since the middle part of the last decade, making it the second-largest U.S. agricultural importer, just a smidgen below Canada in 2017. Those products tend to be produced in relatively poor, undiversified state economies, meaning political pain would be swift if China pulls the trigger.

Figuring out which Chi-

nese sectors to go after isn't straightforward either. China's leaders aren't likely to be concerned with the overall impact of Mr. Trump's plans: a 25% tariff on \$60 billion of exports to the U.S. would knock Chinese growth off only about 0.1% in 2018, according to Louis Kuijs at Oxford Economics.

What they would worry about is an increase in unemployment. But the biggest Chinese export to the U.S. is

electronics and electrical equipment, much of which are produced by American firms in China like **Apple**. Big tariffs would immediately hit U.S. companies' bottom lines or push up the price of popular U.S. consumer electronics, or both.

Top Chinese tech brands like **Huawei Technologies**, meanwhile, are already largely excluded from U.S. markets, a key difference with the last trade war with Japan in the 1980s.

Another target for Mr. Trump could be textiles and the like: Furniture, bedding, apparel and footwear were close to 15% of Chinese exports to the U.S. last year.

Even there, the shift away from manufacturing is clear. In 2008, close to 1% of the Chinese workforce was employed in textiles, according to Chinese data. Now, it is only half a percent.

Mr. Trump seems intent on punishing China's trade practices. He should be aware he's aiming at a moving target.

—Nathaniel Taplin

## OVERHEARD

Women around the world earn less than their male peers and that extends to perhaps the most promising career field, technology. European tech-career platform Honeypot surveyed 41 countries and found a persistent gap, but also major differences.

The largest wage shortfall was found in tech juggernaut South Korea, where 3.7% of people overall work in tech but women earn 41% less than their male counterparts. The country surveyed with the smallest share of people engaged in tech, Turkey, also had the smallest wage gap at a bit over 8%.

The differences are striking, but the best place for women in tech actually may be a country that wasn't the most equitable on any measure: the U.S.

Female tech workers in the U.S. earn nearly 12% less than male peers but make by far the most, nearly four times as much as their counterparts in South Korea and about twice those in Turkey.

## Hurdles Get Ever Higher For Micron

Sometimes there really is nowhere to go but down.

Things have been going very well at **Micron Technology** for a while now. Strong demand and pricing for memory chips have driven the chip maker's sales and earnings to record levels. Fiscal second-quarter results reported late Thursday were no exception. Revenue surged 58% year over year to \$7.4 billion, beating Wall Street's estimates, while operating earnings surged to \$3.6 billion, more than triple the previous year's result.

But great numbers from Micron were never likely to be great enough this time. The company's stock price has been running hot, up more than 40% just in the past two months on strong signs for memory demand this year. That easily beats any of Micron's semiconductor peers. The shares tipped a high just above \$61 this week, putting them close to Wall Street's median price target. Micron's shares fell 3.8% following the report Thursday, even after losing 3.5% during the market's brutal sell-off in the regular session.

Fears of a downturn in memory prices haunted Micron late last year. The company and others in the business have argued the sharp volatility of years past should moderate due to rising demand from new markets such as data centers and autos.

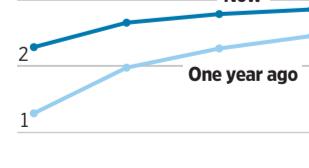
But Micron is entering the second year of its strong growth phase, and the comparisons are becoming harder. The company projected revenue growth of 29% to 37% for the fiscal third quarter, which is ahead of Wall Street's estimates but pales in comparison with last year's 92%. Chips can't run hot forever.

—Dan Gallagher

# The Treasury Market Looks to Be a Hostile Place to Hide

## Higher, Flatter

U.S. Treasury yields



curve. As a 10-year bond over time becomes a nine-year bond, all else being equal, its yield falls and its price rises, producing a gain above the initial yield when

the bond is purchased. That offers protection for bond investors in a rising-rate environment, notes TwentyFour Asset Management.

The U.S. yield curve still slopes upward, with 10-year Treasurys yielding 0.57 percentage point more than two-year securities. But the further out you go, the flatter the curve gets. There is now only a 0.07 percentage-point gap between seven- and 10-year Treasury yields, a gap that has more than halved from a year ago. The potential for rolldown gains is small.

A similar phenomenon is showing up in U.S. corporate bond markets, too, with the

gap between short- and long-maturity bonds shrinking in both yield and spread terms. A number of forces are potentially at play here, as with the rise in London interbank offered rates.

Higher U.S. Treasury bill issuance is competing for investors' cash. And the pool of funding for short-dated debt may also have shrunk due to corporate cash repatriation, Citigroup suggests. If dollars can be repatriated and spent, they don't need to be tied up in bond investments.

By contrast, steeper curves in eurozone government and corporate bond markets may make them attractive to investors. The Eu-

ropean Central Bank's negative-rate policy, which it is in no rush to change, is acting as an anchor for yields, reassuring bond investors. Coupled with the cost for foreign investors to hedge dollar-denominated bonds, U.S. bonds lose out despite their higher yields. All of that may lead to tighter U.S. financial conditions.

The absence of rolldown is just one factor in the investment equation. But piled on top of a Fed that looks set to carry on raising rates and concerns about inflation, it makes the U.S. bond market an unfriendly place for investors.

—Richard Barley

When the yield curve is steep, investors benefit from the yield on a long-term bond "rolling down" the

R.O. Blechman's success with shaky lines  
**MS**



# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Neither a wise man nor a brave man lies down on the tracks of history to wait for the train of the future to run over him.'

—Dwight D. Eisenhower

Friday, March 23, 2018 | M1



JOE SCHMELZER FOR THE WALL STREET JOURNAL

**RAIL PALACE** John Paul DeJoria, founder of Patrón Spirits Co., has completed a \$2 million renovation on his vintage 1927 railcar, the Patrón Tequila Express, done in what he describes as a maharajah's palace style. The train costs the billionaire about \$10,000 a month for maintenance, insurance, storage and crew.

## How the Rich Ride the Rails

Train buffs travel cross-country in luxury private railcars hooked to Amtrak trains; vintage cars can top \$800,000, and an interior restoration can cost millions.

BY NANCY KEATES

**WHEN JOHN WEBB** takes his family to California, Washington and Oregon for vacation from his home in Dutchess County, N.Y., they don't fly or drive. They travel hooked to the back of an Amtrak train in a 1950s-era private railcar that Mr. Webb spent three years and nearly \$1 million restoring.

Traveling across the country by private rail takes a lot of planning, requiring connections to various trains and layovers. But Mr. Webb, 35,

says he and his 10-year-old son and 8-year-old daughter prefer it to their family's second home in the Adirondacks because every day they wake up somewhere different.

"It touches places you can't get to by road," says Mr. Webb, head of an insurance brokerage in Fishkill, N.Y.

There currently are about 150 private railcars (also called "varnish") in good enough shape to be certified to run attached to Amtrak trains in the U.S., according to the American Association of Private Railroad Car Owners. Cost of the cars ranges from \$25,000 to more than \$800,000, de-

pending on the condition.

Renovating and restoring cars at the highest end can cost more than \$1 million. To travel, owners pay Amtrak \$2.90 per mile, plus additional fees for services. Add the expenses of crew and connection transportation, and a cross-country trip can cost tens of thousands of dollars. Storing the cars costs about \$600 to \$1,000 a month.

Private rail travel evokes images of the Vanderbilts and Woolworths sipping tea as they recline in plush leather armchairs, trundling

Please turn to page M12

## ONE BILLIONAIRE, FIVE HOMES: MICHAEL DELL'S HABITATS

Based in Austin, Texas, the tech mogul has recently snapped up super-deluxe condominiums in New York and Boston.

BY KATHERINE CLARKE

**KNOWN FOR** his lavish spreads in his hometown of Austin, Texas, and on the Big Island of Hawaii, tech mogul Michael Dell has expanded east, buying two super-deluxe high-rise homes in Boston and in New York City in recent years.

In 2014, Mr. Dell, 53, spent \$100.47 million on a penthouse on New York Billionaire's Row, setting a record for the city's priciest home

purchase, people familiar with the transaction said. Last year, he snapped up a penthouse seeking \$40 million at the Four Seasons Private Residences One Dalton Street in Boston.

The purchases significantly add to Mr. Dell's real-estate holdings, according to a Wall Street Journal analysis. Before these buys he owned two homes around his hometown of Austin, Texas,

and a third retreat on the Big Island of Hawaii's Kohala coast.

A college dropout, Mr. Dell earned his fortune by starting Dell Technologies, which makes and sells personal computers and other technology products. Most of that fortune lies in his private-investment firm MSD Capital, which was set up to manage his family's fortune.

Please turn to page M7

**INSIDE**

### HOOP DREAMS

L.A. home with sports galore seeks \$49.9 million  
**M2**



### VILLAGE PEOPLE

Country charm that's still close to London  
**M6**

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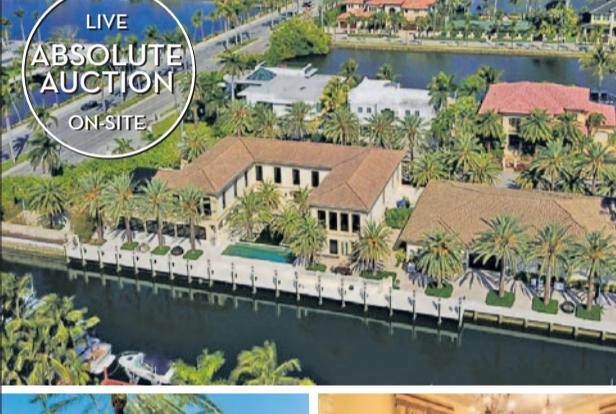
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## MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

# Palatial Estate Lists for \$49.9 Million



(T-B) MATTHEW MONBERGER; (R) JIM BARTSCH; RICHARD CAPLAN

A Los Angeles compound dating back to the late 1920s is slated to hit the market for \$49.9 million.

The gated property totals approximately 36,000 square feet, including more than 20,000 square feet of indoor entertainment space with a spa, an indoor pool, a game room, a wine cellar, a bowling alley, a cinema, a bar and a basketball and a racquetball court.

The house, built in 1927, is located on St. Pierre Road in the affluent East Gate area of Bel-Air, made up of storied estates that were largely built before World War II.

Property records show it is owned by St. Pierre Holdings, a limited-liability company linked to the Mossanen family, an Ira-



nian family with homes in London and Los Angeles. A spokesman for the family declined to comment.

The Mossanen family purchased it in 2008, according to

Joyce Rey, one of the listing agents, but the price is not available in public records. The main house features a vaulted entryway with a sweeping staircase, according to the listing.

There are several large living rooms, offices, a dining room and a children's play room. There are eight bedrooms and 20 bathrooms, in total. Outside, there's an in-ground swimming pool, kitchen and dining area.

The property has been renovated several times was recently redesigned by prominent English designer Gavin Brodin. Ms. Rey said. Mr. Brodin also designed billionaire British heiress Petra Ecclestone's Holmby Hills manse.

"It really feels like your own personal resort," Ms. Rey said. "It has everything."

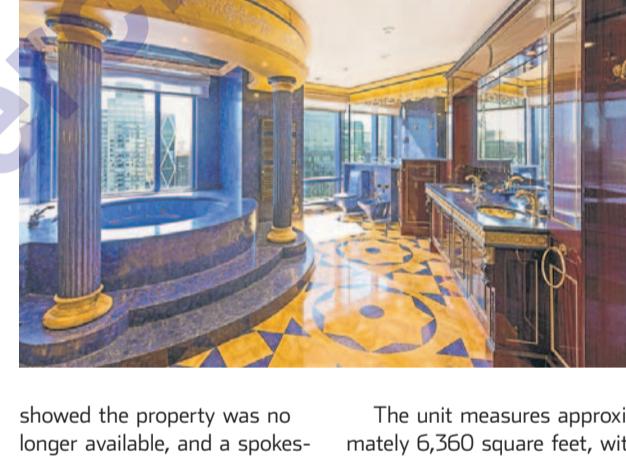
Ms. Rey, of Coldwell Banker Global Luxury, is co-listing the property with Aaron Kirman and Marco Naggar of Pacific Union International.

## JAPANESE BILLIONAIRE SELLS NYC APARTMENT FOR \$25 MILLION

Japanese billionaire Katsumi Tada has sold his apartment at Trump International Hotel & Tower in New York for \$25 million, after almost two years on the market, according to people with knowledge of the deal.

The sale represents a small loss for Mr. Tada, a real-estate developer who bought the property for \$26.022 million in 2008, property records show. He first listed it for \$40 million in May 2016 but reduced the price several times, most recently to \$27.5 million, according to listings website StreetEasy.com.

The listing agents, Howard Margolis, Marie Espinal and Jeff Adler of Douglas Elliman, declined to comment on the sale, but Elliman's website



showed the property was no longer available, and a spokesman for the firm confirmed that it had closed.

Mr. Tada could not immediately be reached for comment.

The unit measures approximately 6,360 square feet, with six bedrooms and six bathrooms, according to the listing. Features include a marble-floored foyer, black-lacquered

and gold-leaf gilded doors and custom moldings and overhead lighting.

The great room has views of Columbus Circle and the south end of Central Park and has parquet de Versailles wood floors that were saved and reconstructed from a French chateau, the listing shows.

Mr. Tada heads Tokyo-based Daisho Development, a company that develops and owns office buildings in cities such as Sydney, Singapore and Tokyo, according to its website. Forbes magazine pegs his net worth at \$2.1 billion.

► See more photos of notable homes at [WSJ.com/Mansion](http://WSJ.com/Mansion). Email: [privateproperties@wsj.com](mailto:privateproperties@wsj.com)





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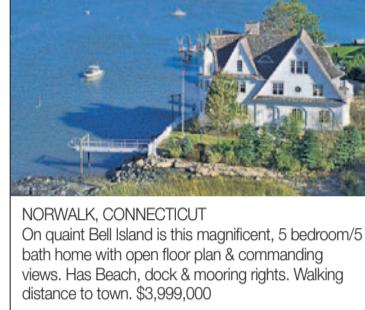
**SADDLE RIVER, NEW JERSEY**  
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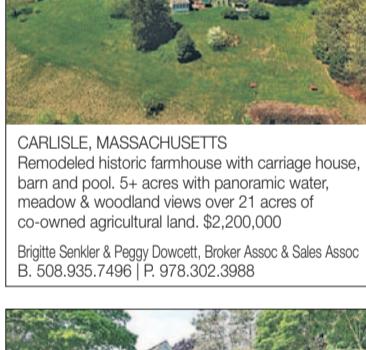
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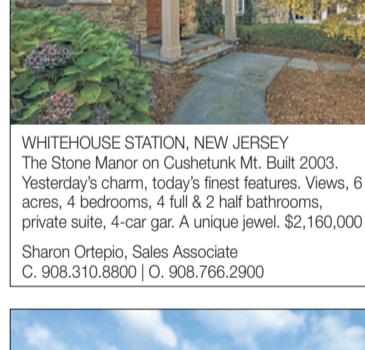
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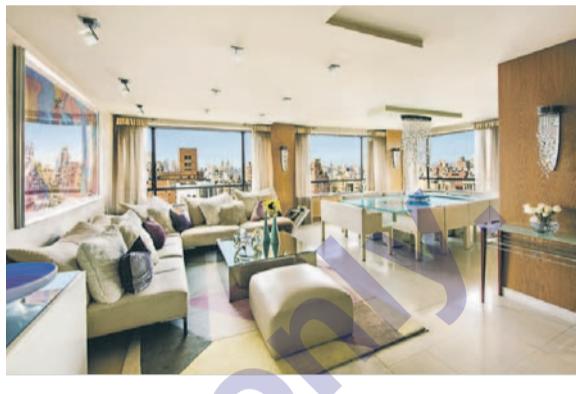


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## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

## WHAT TO KNOW WHEN SELLING SOLO

Listing a home without a real-estate agent could save thousands in commissions, but many owners don't want the hassle

**THE CHANCE TO** avoid paying the typical 6% commission to a real-estate agent—saving potentially tens of thousands of dollars on a luxury home—motivates a lot of homeowners to list their homes themselves.

But many sellers lack the time or skills necessary to market a home, prepare a contract, deal with inspections and ensure buyers have the financial wherewithal to purchase their property. Perhaps that is why only 8% of all home sellers in 2017 were for sale by owner, or FSBO, according to a survey of 7,866 home buyers released by the National Association of Realtors in October.

Giving real-estate agents a selling edge is the Multiple Listing Service, a database of home listings that fee-paying agents contribute to. Without use of the MLS, solo sellers have a tough time marketing their homes. "Even if they create a website for their property, how are they pushing that out to potential buyers using search-engine optimization or other tools?" asks David Dweck, a real-estate agent with Signature Real Estate in Boca Raton, Fla. "How are they using social media properly unless they are marketing-savvy, which most aren't and don't have the time for?"

Last year, homes listed with a real-estate agent had a median sales price of \$250,000, compared with \$190,000 for owner-listed homes, NAR reported in the



fied the prospective buyer's credit, income and assets and that the approval is subject only to a property appraisal that is satisfactory to the lender. Here are some things to consider:

- **Importance of earnest money.** Potential buyers who plan to pay in cash should provide the seller with bank or investment statements to prove they have sufficient assets. For buyers unwilling to provide this information, Mr. Nilson suggests that sellers ask for at least 20% upfront in earnest money that would be forfeited if money issues scuttle the sale. "That is a method to ensure performance or at least provide fair compensation for tying up your home," he says.

- **Hire an appraiser.** Pricing correctly is essential to ensure the seller gets top dollar without turning off potential buyers by overpricing the house. But sellers often believe their house is worth more than it actually is. According to the National Quicken Loans Home Price Perception Index for February, appraisers valued homes an average of 0.53% lower than what owners estimated. An appraisal can provide a reliable valuation and may even help buyer and seller arrive at an agreeable sales price.

- **Hire an attorney.** Without a real-estate agent to guide them, FSBOs should seek out the help of a real-estate attorney. An attorney can help qualify a buyer, negotiate contract terms, handle title problems, advocate for the seller after inspections are completed and handle the settlement.

2017 survey. Even factoring in the typical 6% commission, the agent-assisted sale would still net \$235,000.

Still, there are numerous websites that provide services to FSBOs. For example, Ladera Ranch, Calif.-based Fizber.com will list a house on its website free. For \$99, the company will prepare a digital brochure and video tour of the property and list it on Zillow, Trulia and Redfin for additional exposure.

Sellers wanting to list their home in the local MLS can opt for a \$295 package, although that will obligate them to pay a real-estate commission to the selling agent, typically 3%.

PJ Mitchell, Fizber's president, says only 18% of homes that sold after being listed on Fizber were sold without the MLS, so sellers may want to keep that option open. He also says that 70% of sellers who initially posted a FSBO listing with Fizber ultimately

hired a full-service real-estate agent to sell the house.

Another hurdle for homeowners who list their homes is ensuring that a buyer has sufficient cash—or a mortgage—to pay for the house. A broker typically ensures that the buyer is financially qualified by reviewing the preapproval letter or contacting a lender. There is an important distinction between a prequalification letter and a preapproval letter, says Charles Nilson, national

director of residential lending for Boston Private, a private bank.

While the exact definition of each term varies by lender, in general, a prequalification letter indicates that a prospective buyer would qualify for a mortgage based on verbal representations made to the lender and contingent upon providing supporting documentation. A preapproval letter, on the other hand, typically indicates that a lender has veri-

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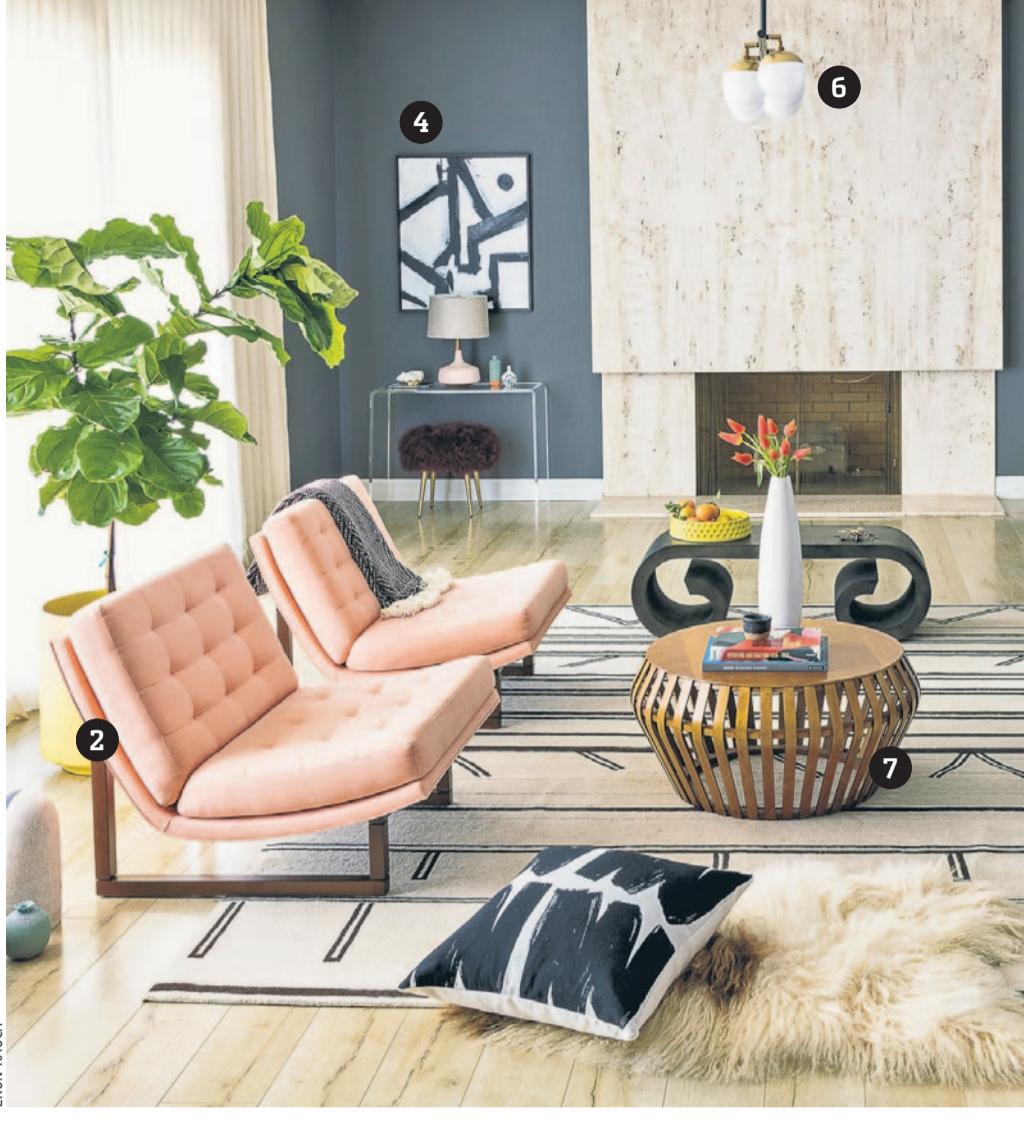
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## MANSION



**1.** Ms. Murray wanted the cream-colored fireplace to stand out, so she opted for a darker color on the walls, specifically Benjamin Moore's Kendall Charcoal.  
**Price:** \$42.99 to \$74.99 per gallon

**2.** Upholstered in pink linen, these Lawson-Fenning chairs combine a masculine, Midcentury shape with feminine, contemporary color. "I enjoy those pink chairs every single day," Ms. Mak said.  
**Price:** Each, \$1,450 plus \$550 for fabric

**3.** The custom sofa is covered in stain-resistant, light-gray leather and blue velvet. Ms. Murray said she avoided repeating fabrics to bring depth to the space.  
**Price:** \$1,700 for sofa, \$600 for fabric

**4.** The Consort Design paintings create symmetry without detracting from the fireplace.  
**Price:** \$2,400 for both

**5.** The J.H. Minassian & Co. rug in a black-and-white, graphic pattern echoes the paintings flanking the fireplace.  
**Price:** \$7,500

**6.** The pendant light helps anchor the room along with the rug, Ms. Murray said. The Arteriors fixture is retro without going "full '50s," she said.  
**Price:** \$2,100

**7.** Ms. Mak wanted toddler-friendly, durable furniture, so no sharp edges. The couple already had a West Elm bentwood coffee table, which fortunately matched the original stain on the doorframes.  
**Price:** N/A. The item is discontinued

## ANNOTATED ROOM

## Midcentury Modern, Colorful but Not Kitschy

The period design was preserved, then got a boost from bright colors, custom fabrics

**PRESERVE A** Midcentury Modern vibe without crossing into kitschy: This was the goal of the redesign of a 1963 house in San Marino, Calif.

Jennifer and Jason Mak spent a year updating the four-bedroom, 3½-bathroom home. Mr. Mak's father had paid \$2.52 million for the property in 2013, and later transferred it to the couple. The couple enlisted two designers to redeco-

rate, including Caitlin Murray, founder of Los Angeles-based Black Lacquer Design, who redid the living and dining rooms. This phase of the project, costing nearly \$30,000, was finished in January 2017.

The 18-by-30-foot living room was dauntingly large, with a contemporary sectional in the middle but hardly any other furniture.

White walls and a white shag car-

pet completed the humdrum look.

"Mainly we were trying to bring a little bit of life into a kind of bland room," said Ms. Mak, a 36-year-old veterinarian. Mr. Mak, 37, is a commercial real-estate developer. The couple has a 2-year-old son and a newborn baby.

Ms. Murray wanted to showcase the original travertine fireplace, while giving the Midcentury decor a

fresh look with offbeat colors and contemporary fabrics.

To tie everything together, she asked Ms. Mak, an amateur artist whose subjects are often her dogs, to paint a statement piece to hang over the sofa.

Here's a look at some of the other elements that went into the design update.

—Leigh Kamping-Carder

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New York, NY: Rarely available oasis in the sky! This sprawling Midtown West duplex with 5 bedrooms and 5.5 baths boasts spectacular panoramic NYC views. \$8,750,000  
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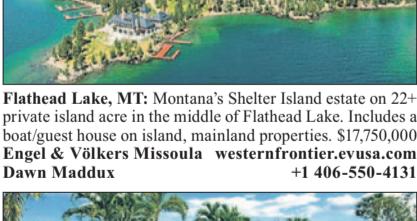
New York, NY: Light-filled and spacious, this corner 2 bedroom, 3 bath UES home with wall-to-wall windows showcases expansive open views in every direction. \$3,995,000  
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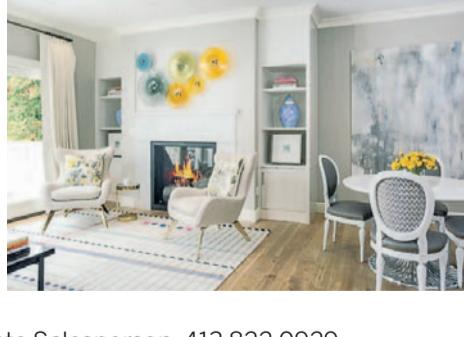


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**LUXURY LIVING DEFINED** Upper East Side. Stunning home designed by Peter Pennoyer w/ Victoria Hagan. 7 stories, 6BR, grand entertaining rooms, roof terrace & English cellar. \$30M. WEB# 18171685.

Heather Sargent 212-712-1116

Caitlin Williams 212-712-1117

**GRAND RIVER DUPLEX** Beekman Place. 12 room w/ spectacular river views. 4BR, 4.5 baths, FDR, lib, EIK, staff quarters, office, wine cellar. 3 WBF. \$8.995M. WEB# 17976001.

Jill Roosevelt 212-906-9340

**GRAND 8 ROOM PREWAR RESIDENCE** Park Ave & 62nd. Excellent 2BR, 3.5 bath apt w/ open city views & great light. Private landing, LR, FDR, lib, renovated EIK, staff room. \$4.495M. WEB# 16559094.

Leslie R. Coleman 212-906-9387

Mary K. Rutherford 212-906-9211

Noah D. Doplins 212-906-9263

**BEST OF CARNEGIE HILL** Madison Ave/89th. Hi floor 3BR, 3 baths w/ amazing city, park & reservoir views. Excellent closets, balcony w/ W/D. Steps from CP, fab amenities, excellent Condop. \$3.45M. WEB# 18140706.

Nada Rizk 212-317-7705

Joanne Greene 212-906-9341

**EXCELLENT VALUE 2BR AT TOP CONDO** Off Park.

Only \$1,475 psf, 2BR, 2 baths plus den, approx. 1,831SF. Lots of closets, W/D. FS w/ gym, sky lounge/terrace, garage. \$2.7M. WEB# 16523794.

Linda De Luca 212-906-9208

Corinne Vitale 212-906-9249



**FOREVER FIFTH AVENUE** Upper East Side. Prewar 7 on Fifth across from Met and park. Open south views. WBF, FDR, 2 MBR, 2 maid rooms, 3 baths, W/D, 24hr DM. \$3.75M. WEB# 18171027.

Marjorie Flannigan MacLachlan 212-588-5643

Amanda Brainerd 212-452-4515

**TRIPLE MINT HOME W/ PANORAMIC VIEW** Upper East Side. Pristine hi floor corner apt w/ balcony & W/D. Top Co-op w/ gym, garage, playground & storage. Pets OK. \$2.595M. WEB# 18077406.

Daniella G. Schlisser 212-906-9348

Matthew D. Hughes 212-906-9351

**SUNNY & SPACIOUS CLASSIC 6** 90th/Lexington. Renovated 3BR, 2 baths, closeted maid's room, dining, WBF, W/D, eat-in kitchen, 10.5' beamed ceilings, storage. \$2.15M. WEB# 18196360.

Allison Kahn 212-317-7749

**50 EAST 79TH STREET, 15D** Upper East Side. Northern light floods this high floor 1,600SF 4/- 5 room home near Central Park. \$2M. WEB# 17930087.

Ellen G. Victor 212-906-9386

**CLASSIC PREWAR 6 ON SUTTON** Sutton Place South. Spacious 2BR, 3 bath in Candelabra bldg. LR w/ WBF, FDR, maids, many architectural details, pets OK. \$1.73M. WEB# 16885934.

Daniel G. Farris 212-906-9296

Burt F. Savitsky 212-906-9337

## WEST SIDE



**PANORAMIC CENTRAL PARK VIEWS** One57. Newly renovated 4BR Condo with park views, central AC, 24hr DM, pool & gym, hotel services. \$21.995M. WEB# 18034415.

David E. Kornmeier 212-588-5642

**CREATE YOUR DREAM TOWNHOUSE** Upper West Side. Elegant, 20' wide brownstone on quiet tree-lined street w/ plans for single family conversion. \$9.995M. WEB# 15882687.

Wolf Jakubowski 212-588-5640

**BREATHTAKING VIEWS AT 80 CPW** CPW & 68th. Panoramic Central Park & midtown views from mint corner 2BR, 2 bath w/ private balcony, chef's kit, doorman. \$5.95M. WEB# 18159364.

Edward F. Joseph 212-588-5646



**DUPLEX IN THE SKY** Columbus Circle/W. 58th. Mint 3BR duplex w/ top-of-the-line finishes including media room & sauna in white-glove FS bldg. \$28.995M. WEB# 18019805.

Ileen G. Schoenfeld 212-396-5878

Aracely Moran 212-588-5649

**CLASSIC 6 PLUS W/ BIG PARK VIEWS** Upper West Side. 2-3BR, 3.5 baths w/ extra staff room on lobby level. High ceilings, hardwood floors & W/D. FS Condo. \$5.2M. WEB# 18181909.

Lisa K. Lippman 212-588-5606

Gerard "Scott" Moore 212-588-5608

**LINCOLN CENTER 1 BEDROOM** Upper West Side. Mint condition 1BR, 1 bath. South-facing, extremely sunny w/ open views, FS luxury Condo. \$1.099M. WEB# 17934500.

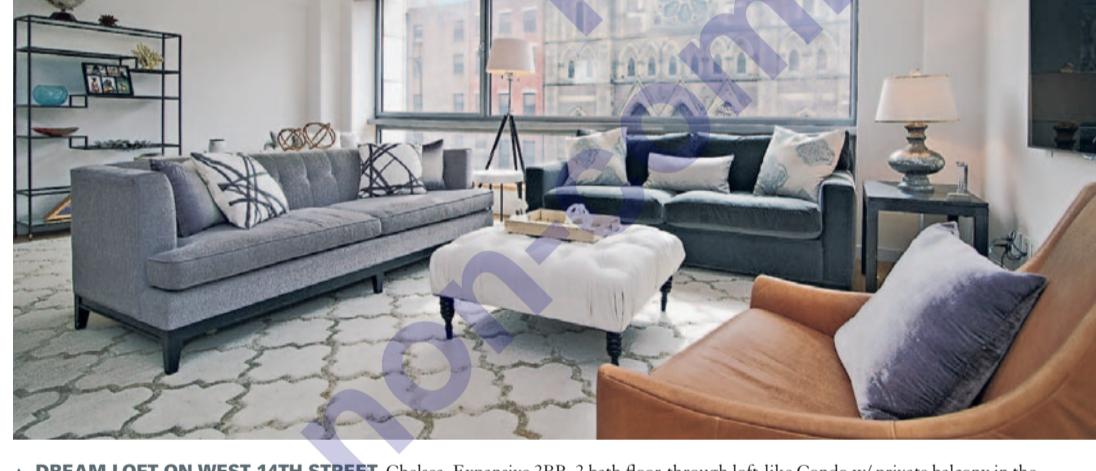
Judith A. Furgiuele 212-588-5693

**QUIET, NEW TO MARKET** 55th off 5th Ave. Fab deco tranquil 1BR, 1 bath w/ lovely garden views in arts and crafts masterpiece landmark bldg. \$900K. WEB# 17815660.

Thomas "Nat" Chandler 212-452-6288

Leslie A. Crossley 212-906-9218

## DOWNTOWN



**DREAM LOFT ON WEST 14TH STREET** Chelsea. Expansive 2BR, 2 bath floor-through loft-like Condo w/ private balcony in the Meatpacking District/Chelsea. \$3.495M. WEB# 18181386.

Timea Ferber Greenberg 212-452-6278

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**STUNNING TRIPLEX PENTHOUSE** SoHo. Sun-flooded turn-key triplex penthouse in heart of SoHo, 16' ceilings, private terrace, 3BR, 3 baths. \$9.35M. WEB# 17966327.

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Emma Maitland 212-906-0543

**SUPER CHIC CONDO LOFT** SoHo. Exquisite 2BR, 2 bath w/ west-facing exposure overlooking cobblestone Greene street. \$5.125M. WEB# 17504376.

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Rachel A. Glazer 212-317-3661

Douglas Bellitto 212-906-0542

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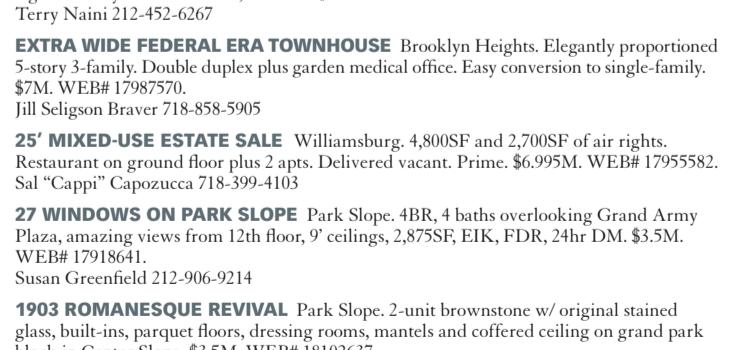
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## MANSION

HOUSE CALL | R.O. BLECHMAN

# Doing Crazy Stuff to Stand Out

The illustrator with a 'shaky line' was inspired by a bohemian neighbor; now, a studio in upstate New York

I smelled smoke. It was late at night in 1940 and everyone in our Brooklyn home was asleep. I was 10 and ran into my parents' bedroom to tell them. My father rushed downstairs to see what was going on. The furnace had caught fire. We cleared out quickly.

The damage was so great that we were forced to move to an apartment building on Ocean Avenue. My parents never thanked me for saving everyone. They weren't very complimentary people.

I hated living in an apartment instead of a home. The social experience each day was fighting or watching others fight. Fist-fighting was a way of life then. Most took place in vacant lots. I wasn't especially strong but I was fast.

I never drew as a kid. I did put out my own newspaper, though. Someone had given me a little printing press with rubber type. You set the type and then printed pages by inking the letters.

As a kid, I was a showoff. But I was very shy and often sat in back of the class. Yet every now and then I'd step out from the shadows and do something crazy to command attention.

My real name was Oscar and my middle name was Robert. I reversed the initials in later years. I hated Oscar. One day, in my aunt's car, I told her I wanted to change my name. Buddy was popular then. She liked Buddy and encouraged me to use it. So I did, but I made the mistake of keeping it through college. To this day, I'm still known as Buddy at Oberlin reunions. And I cringe.

My father, Samuel, was known as Chick. He was a partner in a 10-story dry-goods store on Lower Broadway. My mother, Mae, was a homemaker and an accomplished



LINED UP R.O. Blechman in his studio in Ancram, N.Y., right, and at age 6 in Brooklyn, above. Far right, a self-portrait for The Wall Street Journal.



brought in "The Juggler of Our Lady," Holt published it in '53.

My shaky-line drawing style began in the early '60s. It came naturally, mostly as an expression of who I was.

Today, my wife, Moisha, and I live in Ancram, N.Y. About 15 years ago we moved into a Victorian home here built in the 1850s on 125 acres. I have a gorgeous studio in a nearby stand-alone structure that we gutted and enlarged. It has its own kitchen and bathroom. Big windows let in lots of light. Other windows are antique stained glass.

In the 1960s, Moisha and I were in Paris browsing used-book sellers. I came across "Contes pour Maxa" ("Tales for Maxa"). It's a series of children's stories written by Max Nordau in 1929 and illustrated by his daughter, Maxa, my former neighbor. I keep the book in my studio now. The drawings are charming and distinctive. I'm a little intimidated by them. I think I was as much in love with her art as I was with her.

*—As told to Marc Myers*

R.O. Blechman, 87, is a New Yorker magazine cover artist, animated filmmaker and illustrator. His latest book is "Amadeo & Maladeo" (Fantagraphics), a graphic novel fictionalizing the life of Mozart and his imaginary brother.

pianist. She was a beautiful woman who played popular music and jazz, and had taken lessons with Teddy Wilson.

My brother, Burt, was older than me by a few years. I hated him. We fought like cats and dogs. I was the cat. He was a vicious, mean guy with me.

When I was 11, we moved into Manhattan. World War II had just started, along with gas rationing. The car trip from our new apartment to his store was much shorter. Our home was on Central Park West and 91st Street. We were on the third floor, so we didn't have a view

of the park. But from our living room I became an avid student of street life. The room I shared with my brother overlooked the building's courtyard. Every so often, an organ-grinder would show up with his monkey and play there. People would shower him with coins.

Next door was an artist, Maxa Nordau, a beautiful bohemian French woman. She encouraged me to apply to Manhattan's High School of Music & Art. I guess I wanted to impress her. She helped me with my portfolio, which led to an entrance exam that I passed. This was the start of my art career.

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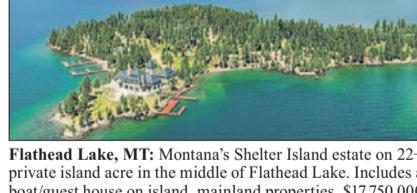
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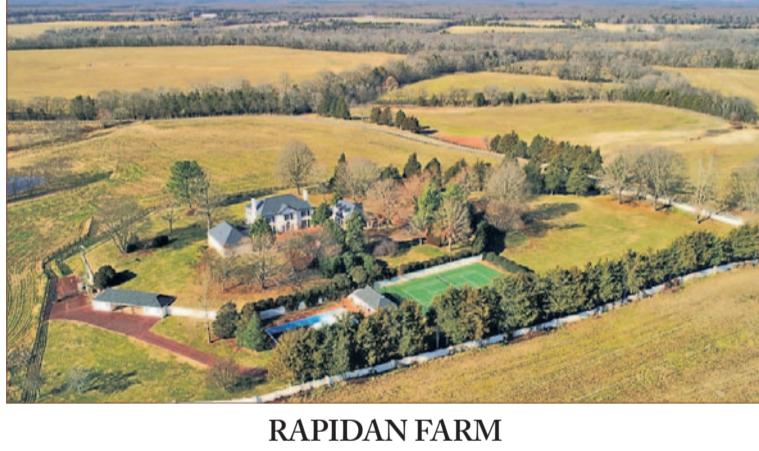
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## MANSION

## THE MARKET

# Country Charm That's Close to Town

Surrey Hills, a 163-square-mile pastoral milieu, is popular among Londoners who want to live in the country but work in the city; for sale, a historic home with a 'priest hole' to hide clergymen

BY RUTH BLOOMFIELD

**WHEN MOVIE PRODUCERS** were hunting for a quintessential English village to film "The Holiday," they had two key requirements. They needed a picturesque setting, plus proximity to London for the convenience of their stars, Cameron Diaz, Jude Law and Kate Winslet.

They chose Shere, a charming English village in the Surrey Hills, a 163-square-mile pastoral milieu just west of London and a popular location for people who want to live in the country but work in the city.

Sales prices in the Surrey Hills increased 3.2% last year, and 7.9% in 2016, according to a recent report from real-estate agency and research firm Knight Frank. This performance easily outpaces prime central London, where prices have fallen around 7% since the 2014 peak. And Knight Frank expects growth of around 3% this year, while prime London remains flat.

Most movers to the Surrey Hills are families. The area has highly regarded schools, and its property stock is heavy on large, detached homes, from ancient cottages and farmhouses to larger properties from the Victorian and Edwardian eras.

Buyers tend to be well-heeled City workers in the financial field. "At the upper end of the market, the best houses get snapped up by



**SMALL-TOWN FEEL** The historic town of Guildford, above, is within a 40-minute train ride from London. In Abinger Common, a five-bedroom house with a redbrick facade and leaded-glass windows, below left and right, is on the market for about \$2 million.



in a trio of villages known as the Abingers—Abinger Common, Abinger Hammer and Sutton Abinger. Abinger Hammer, with its village green and pub, is a quintessentially charming village where a 16th-century timber-framed farmhouse, with five bedrooms and two bathrooms is currently listed with both Strutt & Parker and Hamptons International for about \$1.5 million.

Its period features include a "priest hole" beside the fireplace in the master bedroom, where Catholic families would hide priests during the years of Elizabethan persecution.

A more typical Surrey Hills house is available in Abinger Common, where Jackson-Stops is listing a five-bedroom house with a redbrick facade and leaded-glass windows for about \$2 million. This particular architectural style—with interiors heavy on wood-paneled walls and carved-oak doors—is known as Arts and Crafts, and was particularly popular for country houses built at around the turn of the 20th century.

According to Mr. Grillo, these villages are, right now, the preserve of the British buyer. "A foreign billionaire would tend to prefer a home on one of Surrey's golf estates, even closer to London and with more security," he said. "The Surrey Hills are not exactly wild but they are a little wilder and a little less polished."

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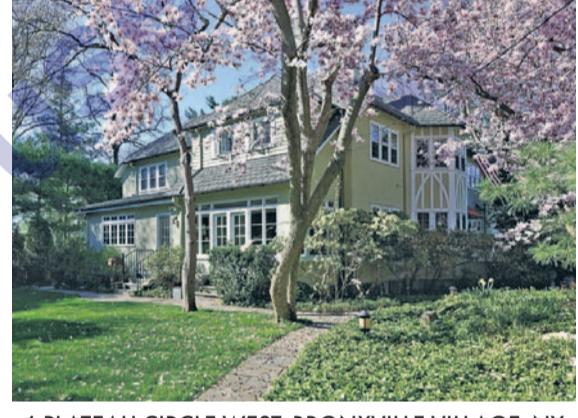
12 ORCHARD PLACE, BRONXVILLE VILLAGE, NY

\$3,695,000 | 5 Beds | 6.1 Baths | 4,418 Sq. Ft.  
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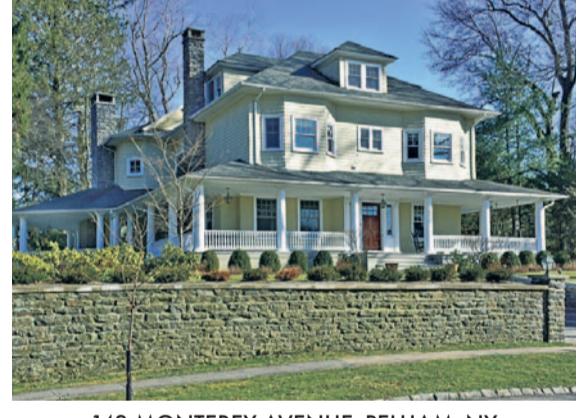
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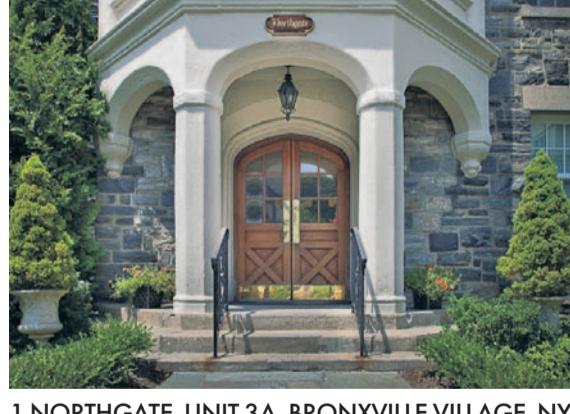
16 COURSEVIEW ROAD, BRONXVILLE VILLAGE, NY

\$2,895,000 | 4 Beds | 3.1 Baths | 3,532 Sq. Ft.  
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Bronxville Brokerage | Kathleen Collins 914.715.6052



142 MONTEREY AVENUE, PELHAM, NY

\$2,598,000 | 6 Beds | 4.1 Baths | 5,375 Sq. Ft.  
Pelham Heights | A Victorian Masterpiece  
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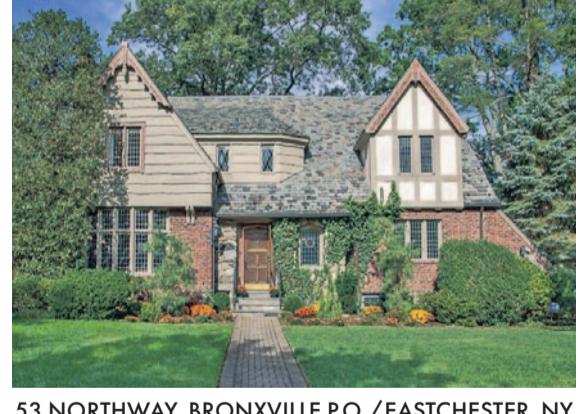
1 NORTHGATE, UNIT 3A, BRONXVILLE VILLAGE, NY

\$1,995,000 | 4 Beds | 3 Baths | 2,607 Sq. Ft.  
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## MANSION

## MICHAEL DELL



New York

AGENCE FRANCE PRESSE/GETTY IMAGES; GETTY IMAGES (PORTRAIT)

**ABOVE IT ALL** Michael Dell, pictured below, spent \$100.47 million on a penthouse in One57, above, the more than 1,000-foot tower in an area of New York City referred to as Billionaire's Row.

*Continued from page M1*

MSD Capital's real-estate holdings are purely for investment purposes, a person familiar with his investment strategies said, such as a home in Los Cabos, Mexico, which is on the market for \$18.5 million.

Here is a snapshot of Mr. Dell's personal properties.

## AUSTIN

In Austin, Mr. Dell built an approximately 33,000-square-foot compound for his family. He and his wife, Susan, completed the property in 1996, according to a person familiar with the project, the same year his company launched its website Dell.com.

Mr. Dell tapped New York City firm Gwathmey Siegel & Associates Architects—whose founder Charles Gwathmey was best known for designing homes for the likes of Steven Spielberg and David Geffen. Juan Miro, an architect from the firm, was dispatched to Texas to oversee its completion, the person said. Gwathmey Siegel's style is famously modernist and geometrically complicated, and Mr. Dell's granite and stainless-steel house is no exception. It has eight bedrooms and 16 bathrooms, a home gym and an indoor lap pool. A stairwell includes polished wood panels and a bowed steel banister, which frames a sculpture by artist Joel Shapiro.

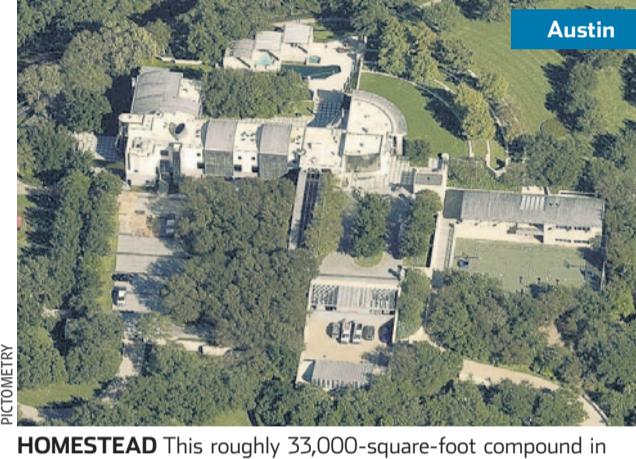
Property records show that Mr. and Mrs. Dell own several vacant lots adjacent to their property, bringing the total compound to about 119 acres. The adjacent lots all have a conservation easement, meaning they are permanently restricted from being developed. The property is a 20-mile drive from Round Rock, Texas, where Dell Technologies is based.

In 1997, Mr. Dell challenged his \$600,000 property-tax bill after county assessors valued the home at \$22.5 million, according to legal filings. At the time, Mr. Dell's attorney said his client had spent about \$30 million on improvements to the property. The resolution wasn't disclosed.

In the hills about 12 miles away, Mr. Dell also owns a quirky geometric house known as 6D Ranch. Named after the six members of the family, it is where their Arabian horses are kept, according to a person familiar with the property.

## BOSTON

In September 2016, Dell Technologies completed an approximately \$67 billion deal to acquire EMC, a company dealing in data storage and data protection, marking what was then the largest technology merger in U.S. history. EMC would keep its



Austin

**HOMESTEAD** This roughly 33,000-square-foot compound in Austin was built by Mr. Dell and his wife, Susan, for their family.



Boston

**BIG DEAL** In Boston, Mr. Dell purchased a penthouse asking \$40 million in the Four Seasons Private Residences One Dalton Street.



Hawaii

**FLYING HIGH** Called Raptor Residence, this property sits in the exclusive Kukio community on the Big Island of Hawaii.

operations in Hopkinton, Mass., where it is located, according to a statement from the company at the time.

In 2017, Mr. Dell inked a contract for a penthouse at the Four Seasons Private Residences One Dalton Street, according to people familiar with the transaction.

The tower will be Boston's tallest residential building when it is completed next year. The unit is one of three penthouses and was most recently on the market for about \$40 million. The building's three penthouses have soaring ceilings and double-height terraces with outdoor fireplaces, according to the project's website.

## NEW YORK

Mr. Dell's \$100.47 million purchase at One57, the more than 1,000-foot condo tower on Manhattan's West 57th street, set the record for the most expensive home ever sold in New York City. His aerie totals 10,923 square feet, with six bedrooms and six bathrooms, according to an offering plan for the project. The building's glassy units have sprawling views of Central Park.

Luxury agents say building's reputation as the pinnacle of prestige has faded. "When he bought it, it was the symbol of success for super-tall," said New York appraiser Jonathan Miller. "Since then, it's been mired

in a lot of negative stories about unsold units and new competition from other projects." A buyer who paid \$32 million for an apartment at One57 in 2014 sold it for \$23.5 million in 2016, public records show.

## HAWAII

MSD Capital has been a major investor in Hawaii since 2004, when it bought the Four Seasons Maui. In partnership with former Walmart chairman Rob Walton, it also owns the entirety of Hualalai, a master-planned residential community on the Big Island surrounding the highly rated Four Seasons there.

Mr. Dell's personal home is located in the nearby, exclusive residential community of Kukio. Unlike other Hawaiian coastal communities, Kukio is accessible only to homeowners and their guests. Visitors need permission of a homeowner to enter. A clubhouse in the community fronts Hawaiian fish ponds and an archaeological reserve, with views of the island of Maui, according to the community's website.

Mr. Dell's home appears to be the largest in the community at 18,500 square feet and with seven bedrooms, according to plans. People call the property Raptor Residence, as Mr. Dell purchased it in under a limited-liability company of that name.

## LandVest®

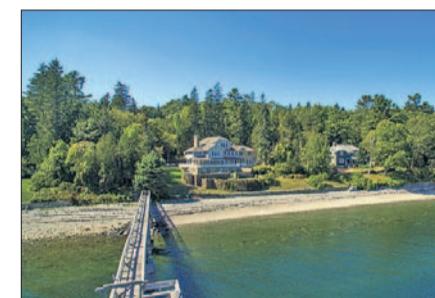
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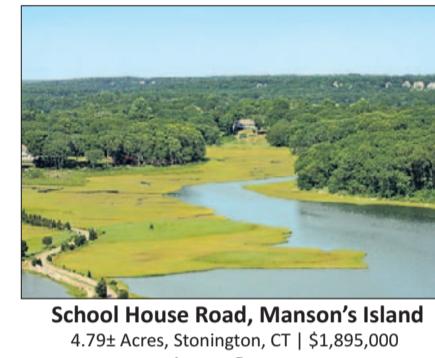
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Swans Island Head

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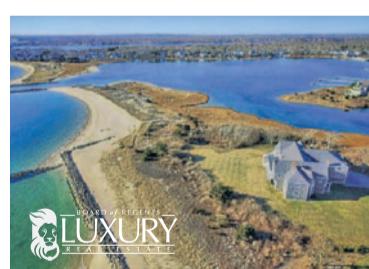
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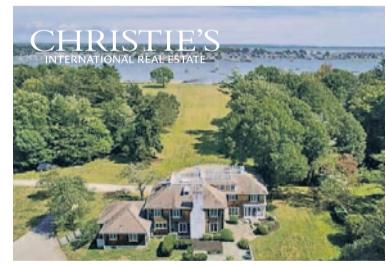
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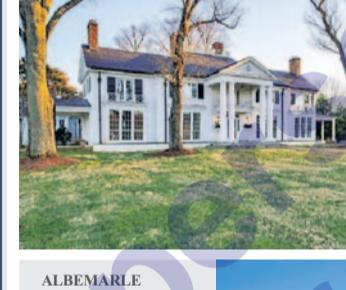
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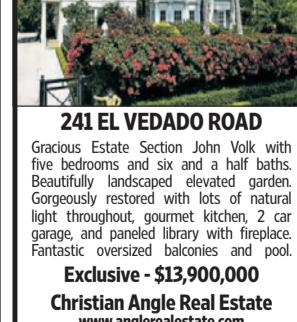
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## Real Estate Trends

### The New Direction in Living

**R**esidential high-rises used to be exclusive to large metropolitan areas such as New York or Chicago. In North Texas, that all changed in the late 1950s, when stylish towers started popping up in Dallas along Turtle Creek Boulevard — still one of the most prestigious addresses you can have.

We are seeing a modern-day proliferation of high-rises, not only in downtown and uptown areas but in suburban cities, too. Another trend? Converting former office towers into residential ones.

It all connects the dots of a growing trend: people who prefer in-town and "vertical" living to that of a traditional home.

Crisscross through Fort Worth and Dallas and you'll see a variety of mid- and high-rise residential villages that have developed. Not only do these vertical villages offer easy access to work and play — walk, bike, rail — they offer sweeping views and lots of perks. There are premium high-rises, too, such as the modernist Museum Tower, which overlooks the Dallas Arts District and is a magnificent example of luxurious living within a vertical village. Its amenities are many: pool, spa, fire pit, posh lounges, a fitness center, a movement center, even guest suites and dog-grooming facilities. Its

neighbors are the top performing-arts venues in the city — and an increasing number of restaurants, shops and recreational activities.

My family and I lived in China for several years because my son Ben had gone there for business. (Today, based in China with his family, he is our executive vice president of international business.) I can tell you firsthand that the Chinese have had their own vertical-housing boom — and, contrary to how it may appear, the spaces are not exclusively for the wealthy. For example, in Singapore, says *The Economist*, about 80 percent of the population lives in what is considered public housing, much of it vertical.

High-density, sky-high living can bring solutions to some of the various challenges associated with housing in urban areas. It's exciting to consider how vertical villages of all kinds may evolve through smart work by forward-thinking urban planners. Just imagine: even more green spaces, features and luxuries, and even sharper eyes on the needs of future generations.

  
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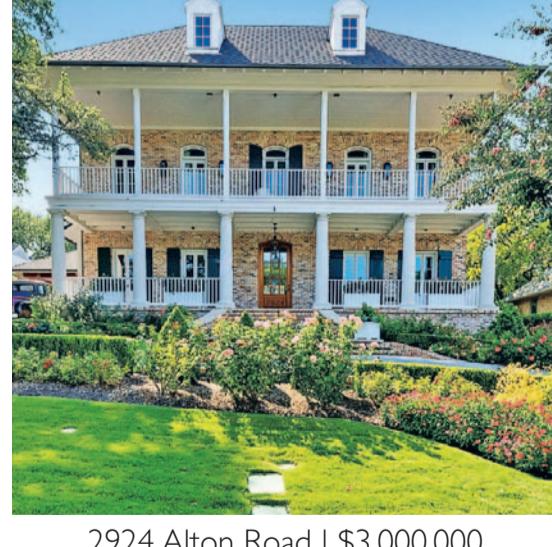
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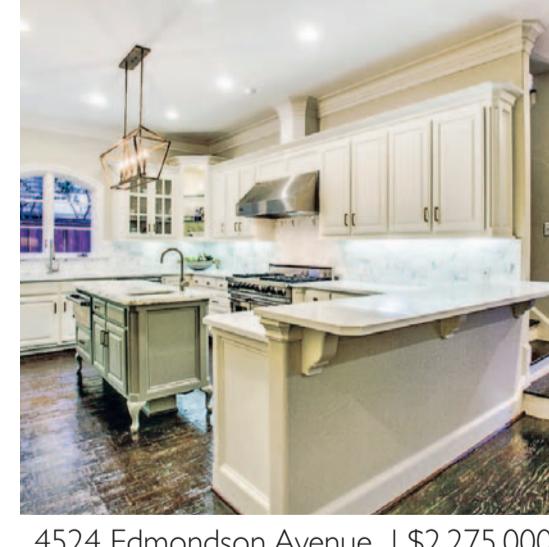
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## MANSION



**RUNS ON TEQUILA** The private railcar of tequila tycoon John Paul DeJoria, above, has an ornately decorated interior, including a dining area, right, and master suite, below.



JOE SCHMELZER FOR THE WALL STREET JOURNAL (3)

## HOW THE RICH RIDE THE RAILS

Continued from page M1

through the countryside down to Palm Beach. Most cars come with a history of famous riders, such as Franklin D. Roosevelt, Henry Ford and Clark Gable.

It's a tradition that harks back to the late 1800s in the U.S., until it was diminished by the Great Depression and replaced by air travel, virtually disappearing for a while after the 1950s. It wasn't until the creation of Amtrak in 1971 and a sell-off of old cars by railroad companies that private rail started up again.

The restored private railcars that travel today tend to be luxuriously decorated mini-mansions, with multiple bedrooms, private chefs, domed glass ceilings and observation decks. Many are owned by ordinary train enthusiasts, who run charter trips to help defray costs.

Borden Black does the cooking on trips on her 1925 Pullman, named the Dearing, with an observation lounge, dining room and three bedrooms. She charges \$6,600 a bedroom for a 10-day round trip from Washington to New Orleans.

"It's like a super vacation house. It's one of the coolest things in the world," says billionaire John Paul DeJoria, founder of Patrón Spirits Co., whose private 1927 vintage railcar, the Patrón Tequila Express, carries him and his guests, who have included actor Dan Aykroyd and several presidential candidates, around the country on Amtrak's 21,000 miles of routes.

Mr. DeJoria spent \$2 million renovating his 85-foot car—with a dining room, modern kitchen, observation room, master suite and two bedrooms—in what he describes as a maharajah's palace style, with green velvet sofas, gold-frame paintings and brocade drapes. It costs him about \$10,000 a month for maintenance, insurance, storage and crew.

Jack Heard, 69, a funeral director who lives in Fernandina Beach, Fla., bought his private car, called the Georgia 300, in 1986 for about \$42,000. The 1930 Pullman was in good shape, so Mr. Heard estimates he spent only about \$50,000 and a lot of "blood and sweat" to get it ready to run on the Amtrak rails. "It's like someone buying an antique car or house," he says.

"They want to enjoy a way of life that's not there anymore."

The freedom to roam the rails is threatened. Some private railcar owners worry Amtrak will stop letting them hitch rides, deciding that the pressure on its on-time arrivals and the costs and hassles of keeping private owners in line isn't worth the roughly \$4 million it says it earns in annual revenue from the service.

In November, Amtrak's office of inspector general initiated an audit of its private railcar services. Last month, Amtrak halted all private rail travel between Los Angeles and San Diego until the passenger service's on-time performance improves, and is considering other changes to ensure these operations don't interfere with its core business and service to its passengers.

Reports of bad behavior—loud parties and disorderly conduct—by some private railcar owners and their guests in Amtrak yards are exacerbating these fears.

"It's up to the private car owners to make sure they conform to



**EAST COAST TO WEST COAST** John Webb and his children, Caitlin and John, in the family's 1949 Budd Sleeper/Observation car named the Babbling Brook, at the Albany, N.Y., Amtrak station. The Webbs use the train, decorated in 1950s style, for cross-country vacations.



JENNIFER MAY FOR THE WALL STREET JOURNAL (3)



**WASHINGTON TO NEW ORLEANS** Borden Black, left, does the cooking for dinners served in her restored 1925 railcar, the Dearing, above. She runs chartered trips from Union Station in Washington, top left, to defray the costs, charging \$6,600 for a 10-day, round-trip to New Orleans.

Amtrak standards," says Wick Moorman, former Amtrak president and CEO, who now serves in an advisory capacity. (A spokeswoman for the owners association says it has zero tolerance for disorderly conduct.)

Mr. Moorman, who owns his own private railcar called the Sandy Creek, bought for "about the price of a nice fishing boat," says he isn't particularly worried Amtrak will stop allowing private rail travel. "If it does, it does," he says, adding that the historical significance can be appreciated by seeing these old cars in museums.

Private railcar owners also worry many of Amtrak's longer routes might disappear because of the congressional mandate requiring that Amtrak trains only ride on

tracks with a safety technology called Positive Train Control by the end of 2018. Some of the tracks are owned by freight companies that won't have complied by then.

"Things are very grim," says Bennett Levin, who owns the Pennsylvania 120, which carried Robert Kennedy's body to Washington, D.C., for burial at Arlington National Cemetery in 1968 and which Mr. Levin spent about \$1 million to restore, following original engineering drawings. He has hosted Pennsylvania transportation-committee representatives aboard his cars to show them the importance of supporting state-funded Amtrak routes. At the very least, if states are on board, private railcar owners could still

travel within their own states.

Meanwhile, private railcars continue to change hands, albeit slowly. About five a year are sold, says David Thebado of Rail Merchants International, who doesn't list prices of the cars he sells online. The kind of people who buy these cars are "big dreamers," he says.

Mark McBride, 42, a software professional in Palo Alto, Calif., who has been researching a purchase for the past couple of years, came close to buying a private railcar for \$500,000. He reasons it would set him back about same price as buying a vacation house in Tahoe, "only you can go more places."

He says that in Silicon Valley, where ostentation is shunned, a

private railcar is more interesting than buying a Lamborghini. While at this point he says he'd probably charter a railcar instead of buying one, Mr. McBride hasn't given up on the idea. His wife has gone from "a solid no to a maybe."

Mr. Webb says owning private railcars can become an obsession. He attributes his divorce in part to the time and money he spent buying and renovating his cars. The three-year restoration of the Babbling Brook into what he calls a retro-modern 1950s diner look was "comparable to watching paint dry." That didn't stop him from buying two more cars in 2016 that are now being restored—bringing his private railcar ownership total to six cars. His current girlfriend is "very supportive," he says.