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What's News

Business & Finance

Walmart is in preliminary talks to buy insurer Humana, a deal that would mark a dramatic shift for the retailer and the latest in a recent flurry of major mergers in health-care services. **A1**

◆ **Trump lashed out** at Amazon over its business practices and economic impact, escalating his long-running feud with the company. **A1**

◆ **Microsoft is downgrading** the role of Windows as it reorganizes around its cloud-computing operations and Office productivity business. **B1**

◆ **Major U.S. stock indexes** posted gains. The Dow added 254.69 points to 24103.11 but was down 2.5% for the quarter. **B1, B2**

◆ **Tesla is recalling** about 123,000 Model S sedans after discovering that corrosion of certain bolts could lead to a power-steering failure. **B1**

◆ **Vanguard faces** a perception problem as customers say its size and record inflows are causing service issues. **B1**

◆ **Consumer spending** in the U.S. rose at a muted pace in February for the second month in a row. **A2**

◆ **Barclays agreed** to pay \$2 billion in civil penalties to resolve Justice Department claims of fraud in the sale of mortgage securities. **B10**

◆ **A law firm** hired by the family of a woman who died after being struck by a self-driving Uber vehicle said the issue "has been resolved." **B4**

◆ **A judge ruled** that coffee in California must carry a cancer warning, a blow to Starbucks and other retailers. **A3**

World-Wide

◆ **North and South Korea** failed to agree on whether the North's nuclear program would be a part of talks between their leaders, raising fresh doubts about Kim's willingness to give up the weapons. **A1**

◆ **Russia will expel** U.S. and European diplomats in response to measures taken against Moscow over its alleged role in the poisoning of a former double agent. **A6**

◆ **Saudi Arabia's** crown prince called on the international community to squeeze Iran economically and politically to avoid a military confrontation in the region. **A16**

◆ **The IRS audited** 1 in about 160 individual tax returns in 2017, the lowest since 2002 and the sixth straight year that audits have declined. **A2**

◆ **Sessions has rejected** calls to appoint a second special counsel to investigate the handling of probes involving Clinton and a Trump ex-aide. **A5**

◆ **FirstEnergy is asking** the administration to intervene to keep struggling nuclear and coal-fired power plants running across the Midwest. **A5**

◆ **Prosecutors ordered** former French President Sarkozy to stand trial on charges of influence-peddling and corruption. **A7**

◆ **Egypt's Sisi** is set to be re-elected after a campaign in which major opponents were jailed or sidelined. **A16**

◆ **Students at** public colleges in more than half of all U.S. states are paying more in tuition than the government contributes. **A3**

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Walmart in Talks to Buy Humana

Deal with health insurer would mark new direction for world's biggest retailer

and there is no guarantee they will strike a deal. If they do, the deal would be big: Humana currently has a market value of about \$37 billion.

It also would be Walmart's largest deal by far, eclipsing

*By Dana Mattioli,
Sarah Nassauer
and Anna Wilde Mathews*

its 1999 acquisition of the U.K. retailer Asda Group Ltd. for \$10.8 billion. Walmart, which in addition to being the world's biggest retailer is also a major drugstore operator,

has a market value of about \$260 billion.

The two companies are discussing a range of options, including an acquisition, one of the people familiar said.

Shares of Humana surged 10% to \$297 in after-hours trading after The Wall Street Journal first reported the talks. Walmart shares slipped 1% to \$88.10 in late action.

Should there be a deal—and should regulators and shareholders bless it—the move would transform Walmart into one of the nation's largest health insurers. It would im-

merse the company in a complicated industry, one that continues to evolve eight years after the Affordable Care Act was enacted and as Washington remains deeply divided over health-care policy.

The talks come as health-service providers are rapidly pairing off and retailers—particularly pharmacy chains—are looking to diversify and bulk up in the face of the competitive threat from e-commerce giant Amazon.com Inc.

In January, CVS Health Corp. agreed to buy Humana rival Aetna Inc. in a \$69 bil-

lion deal aimed at allowing the drugstore-chain to capture more of what consumers spend on health care. In March, health insurer Cigna Corp. agreed to buy Express Scripts Holding Co., the biggest administrator of prescription-drug benefits in the U.S., for \$54 billion.

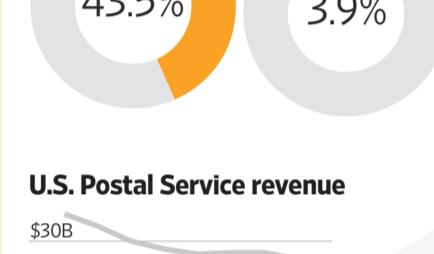
Walmart has a vast pharmacy business, with locations in most of its roughly 4,700 U.S. stores and in many of its Sam's Club warehouse locations. Humana is a Medicare-focused insurer that could

Please see DEAL page A5

Prime Growth

Amazon.com's transformation into a \$178 billion-a-year business is built on an online retail operation that has given the U.S. Postal Service a lot of packages to deliver.

Amazon's estimated share of 2017 U.S. e-commerce Total U.S. retail



U.S. Postal Service revenue

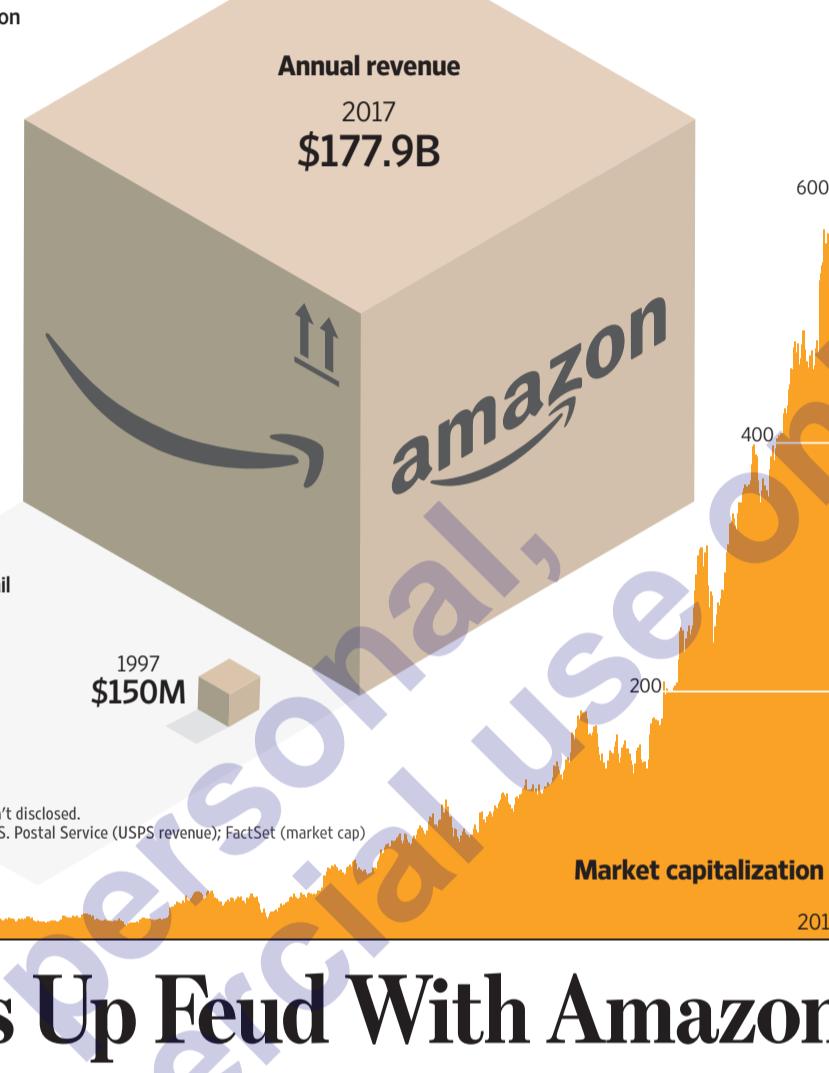


*Includes Priority Mail; percentage of Amazon-related packages isn't disclosed.

Sources: the company; eMarketer (Share of retail, e-commerce); U.S. Postal Service (USPS revenue); FactSet (market cap)

May 1997 Initial public offering

1997 2009 17 2017



Koreas' Nuclear Summit Agenda In Limbo

BY ANDREW JEONG AND FELICIA SCHWARTZ

SEOUL—North and South Korea failed to agree on whether the North's nuclear program would be a part of talks between their leaders, raising fresh doubts about Kim Jong Un's willingness to give up the weapons.

A statement by both Koreas on Thursday didn't refer to the North's nuclear arsenal, or whether it would be discussed at a summit between Mr. Kim and South Korean President Moon Jae-in, set for April.

That meeting is to precede a planned encounter between Mr. Kim and President Donald Trump, agreed to after the North Korean leader said he was open to denuclearization of the Korean Peninsula and would halt missile tests during any negotiations.

"Maybe it'll be good and maybe it won't," Mr. Trump said during an appearance in Ohio. "If it's no good, we're walking, and if it's good, we will embrace it. But it's going to be very interesting."

Mr. Trump also warned he might hold up a trade agreement with South Korea "until after a deal is made with North Korea," adding: "You know why? Because it's a very strong card."

Please see KOREA page A6

◆ All smiles in new national security team..... A4

◆ Trump suggests delay in trade talks with Seoul..... A6

Trump Steps Up Feud With Amazon

BY LAURA STEVENS AND RICHARD RUBIN

President Donald Trump lashed out at Amazon.com Inc. over its business practices and economic impact, escalating his long-running feud with the e-commerce giant at a time of intensifying political and public agitation over the power of big technology companies.

In a Thursday morning tweet, Mr. Trump took aim at Amazon's role in people's everyday lives, from where they shop to the taxes the company collects from sales to how it delivers packages to them.

It was the latest in a line of attacks the president has levied against the online retailer since before his election, a series that also has targeted Amazon's chief executive, Jeff Bezos, who owns the Washington Post.

Mr. Trump, who has carried on a fight with the Post and other media companies, has tweeted more than a dozen times mentioning Amazon, frequently suggesting that the company should pay more in taxes. He pressed that case again Thursday, adding that the company is taking advantage of the U.S. Postal Service.

"They pay little or no taxes

to state & local governments, use our Postal System as their Delivery Boy (causing tremendous loss to the U.S.), and are putting many thousands of retailers out of business!" Mr. Trump tweeted.

An Amazon spokeswoman declined to comment about the tweet. Amazon says it now collects sales taxes on its own inventory in all 45 states that have such a tax, and has voluntarily started collecting taxes in some municipalities.

Amazon's rapid growth from an online bookseller to a dominant provider of cloud services and smart devices—and extend-

ing into traditional brick-and-mortar retail, as seen in last year's acquisition of grocer Whole Foods Market—has fueled concern about its increasing clout.

Brands worry about its shopping dominance and its sale of its own private-label goods, while investors fear the potential for regulation targeting the company. Those concerns crystallized this week as

Please see AMAZON page A4

◆ Amazon helps buoy postal service..... A4

◆ Dow and S&P 500 rise, but end quarter lower..... B11

Exxon Designed Deal to Skirt Scrutiny

Oil giant was excited about Africa prospect but worried about U.S. laws

Negotiators for Exxon Mobil Corp., gathered in a London hotel room, faced a problem. The government of Liberia suspected that oil rights the energy giant coveted were tainted by corruption.

By Scott Patterson, Bradley Olson and James V. Grimaldi

It was the winter of 2011, and crude-oil prices were surging. Exxon and then-Chief Executive Rex Tillerson were battling rivals to win access to fresh deposits around the globe. They wanted a deal. The drilling rights the company sought in Liberia, however, appeared to be linked to former officials from the West African nation, according to internal Exxon documents reviewed by The Wall Street Journal and people familiar with the negotiations. An Exxon presentation

from the London meeting indicated the company had "concern over issues regarding U.S. anticorruption laws."

An idea took shape. A Canadian company would buy the rights from a Liberian oil operator whose ownership was murky. Then Exxon would buy a controlling stake in the project from the Canadian outfit, according to the London presentation, documents outlining the deal and people familiar with the matter.

Exxon completed the deal for \$120 million in 2013. There is a growing body of U.S. and European laws aimed at stamping out corruption around the world, and they have been aggressively enforced. The Exxon transaction shows the extent to which companies are structuring deals to try to minimize the risks of government scrutiny.

This account of what Exxon learned about potential red

Please see EXXON page A8



ANTON VAGANOV/REUTERS

Russia Counters, Expelling Envoys

COLD FRONT: Police outside the U.S. consulate general building Thursday in St. Petersburg, which Moscow is closing in response to the West's expulsion of Russian diplomats earlier this week. **A6**

Zoos Seek Affection for Overlooked Species

* * *

'Ambassadors' are popular, but not all draw crowds

BY CLARE ANSBERRY

PITTSBURGH—For \$40, a visitor can spend 30 minutes, one on one, with Willy, a Southern three-banded armadillo, who runs around in circles in a small fenced enclosure, sniffing and eating crickets and worms at the National Aviary in Pittsburgh.

On a recent day, Willy had only one visitor. His neighbor, Vivien, a two-toed sloth, was booked solid for the day at \$150 per half-hour.

Both are animal "ambassa-

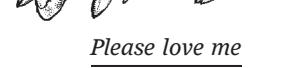
dors"—tasked with public relations for their entire species. Some are more successful than others. Willy works hard, but doesn't always draw the crowds

"They are definitely overlooked," Robin Snider says of little armadillos, which she finds fascinating.

Willy lives at the aviary with fellow armadillo ambassador, Wonka. Among their charms: the ability to roll up completely in a ball the size of a cantaloupe, something the other 20 armadillo species can't.

Ms. Snider, of Pittsburgh,

Please see ZOOS page A8



Please love me

U.S. NEWS

Americans Hold Off on Spending Extra Tax Dollars

By HARRIET TORY

WASHINGTON—Americans last month saved their extra money from the recent tax overhaul rather than spent it, which likely held back economic growth in the first quarter.

Consumer spending rose at a muted pace in February for the second month in a row, despite gains in household incomes both before and after taxes.

Personal income, reflecting Americans' pretax earnings from salaries and investments, rose 0.4% in February. Meanwhile, personal-consumption expenditures, a measure of household spending on everything from dishwashers to books, increased at a slower pace, rising a seasonally adjusted 0.2% in February from the prior month, the Commerce Department said on Thursday.

Consumers have reined in their spending so far this year. The 0.2% increase in spending in January and February reflects a pullback from a 0.5% increase in December and 0.7% in November.

"Consumers are dialing back on their spending spree of last year," said Robert Frick,

Fed's Harker Lifts Outlook for Rates

PHILADELPHIA—Federal Reserve Bank of Philadelphia President Patrick Harker said he expects officials will need to raise short-term interest rates a total of three times this year, up from his earlier projection of two because of stronger inflation.

Fed officials voted unanimously last week to raise their benchmark federal-funds rate by a quarter percentage point to a range between 1.5% and 1.75%, and they penciled in two more such increases for this year.

"We saw some firming of

inflation," Mr. Harker said in an interview with The Wall Street Journal, explaining his new projection.

Updated forecasts released last week showed Fed officials project faster economic growth, higher inflation and lower unemployment in coming years than they anticipated in December. Some Fed officials have cited potentially stronger economic growth from tax-policy changes and increased federal spending.

Mr. Harker said he placed greater emphasis on inflation data than on fiscal policy in revising his outlook.

Inflation has firmed in recent months after a downturn last year that defied the Fed's

forecasts. Consumer prices rose 1.8% in February from a year earlier, according to the central bank's preferred inflation gauge. So-called core prices, which exclude volatile food and energy categories, rose 1.6%.

"It's more the firming of inflation that has moved me from two to three" projected rate increases this year, he said. Mr. Harker said he had penciled in three rate increases for 2019, in line with the median projection released last week.

Mr. Harker said he expects inflation to rise slightly above the Fed's 2% target in coming years. Inflation has run below that level for most of the past six years.

Mr. Harker said the risk of

increased trade tariffs and other barriers presented one source of uncertainty about current projections of the interest-rate path. "Trade tariffs increase costs," he said.

Mr. Harker said it was too early to judge the effect of potential trade actions. An escalation in tariffs between the U.S. and its trade partners "is a risk" that could require higher interest rates, he said, though it isn't his current expectation.

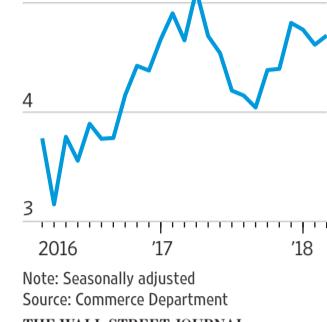
Mr. Harker isn't a voting member of the Fed's rate-setting committee this year, but, like other nonvoting regional Fed bank leaders, participates fully in its policy meetings.

—Nick Timiraos

Recent Easing

Personal-consumption expenditures, change from a year earlier

6%



Note: Seasonally adjusted
Source: Commerce Department

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the revised 1% month-over-month gain in January, which reflected the impact of tax-law changes that reduced tax withholding.

Dustin Hill, a 31-year-old manager at a security company in Washington, D.C., said the extra money he has received from the tax cut has gone toward "bills, normal bills that may have been put on the back burner that I'm now able to address," like student-loan obligations.

U.S. WATCH

IMMIGRATION

ICE Ends Policy for Pregnant Detainees

The Trump administration said it would treat pregnant immigrant women the same as any other detainees and decide who should be released on a case-by-case basis. The policy reverses an Obama-era policy that ordered immigration officials to release pregnant women from immigration jails in most cases.

Philip Miller, the Immigration and Customs Enforcement official in charge of enforcement and removal operations, described the policy change as an effort to align ICE practices with presidential directives on immigration. Deputy ICE Director Thomas Homan signed the new directive on detaining pregnant women in December. It replaces a 2016 policy, also signed by Mr. Homan, that said pregnant women not required by law to be detained should be released from ICE jails.

—Alicia A. Caldwell

17 is getting letters of support in jail including fan mail and pictures of scantily-clad women in addition to \$800 in contributions to his commissary account.

Teenage girls, women and men are sending letters and photographs of themselves and Facebook groups have been started to discuss how to help Nikolas Cruz, the South Florida Sun-Sentinel reports.

Mr. Cruz, who is on suicide watch at the Broward County Jail, hasn't seen any of the letters, which are opened by the jail.

—Associated Press

COSBY TRIAL

Judge Rejects Call For His Recusal

The judge in Bill Cosby's sexual assault trial rejected demands Thursday from the comedian's defense lawyers that he step aside because his wife is a social worker and advocate for assault victims.

Judge Steven O'Neill said that he is "not biased or prejudiced" by his wife's work and that the assertion that he shares the same views as his wife or has let his rulings be influenced by her profession "is faulty, plain and simple." Jury selection is set to begin Monday.

—Associated Press

FLORIDA SCHOOL SHOOTING

Fan Mail, Cash Sent To Nikolas Cruz

The suspect in the Florida high-school shooting that killed

about short-term rentals that appeared Monday in the Journal Report on Wealth Management incorrectly said the homeowner could take mortgage deductions totaling \$60,000 and would save \$5,550, \$4,800 or \$3,600 from this strategy, depending on tax bracket.

Seoul-based bitcoin exchange Youbit on Dec. 1 purchased a one-year cyber insurance policy with damage coverage up to about \$2.8 million from **DB Insurance Co.**, a South Korean firm. A World News article on Dec. 21 about a heist at Youbit incorrectly said the damage coverage was about \$2.8 billion.

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

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GRIEF: Stevante Clark speaks at the funeral of his brother Stephon, who was killed March 18 when officers mistook a cellphone for a gun and fired 20 rounds. His death has sparked protests and calls for police reform in California and beyond.

Audit Rate Hits Lowest Level in Years

By LAURA SAUNDERS

The IRS audited 1 in about 160 individual tax returns in 2017, the lowest since 2002 and the sixth consecutive year that audits have declined, as budget cuts have reduced the number of staff at the federal agency.

The Internal Revenue Service—which has lost nearly a third of its enforcement employees since a 2010 peak, when it audited 1 in 90 individual returns—audited 0.62% of individual returns in the fiscal year that ended Sept. 30, according to IRS data released Thursday.

The audit rate declined the most for high-income households, although they were still audited at a higher rate than filers of other income levels.

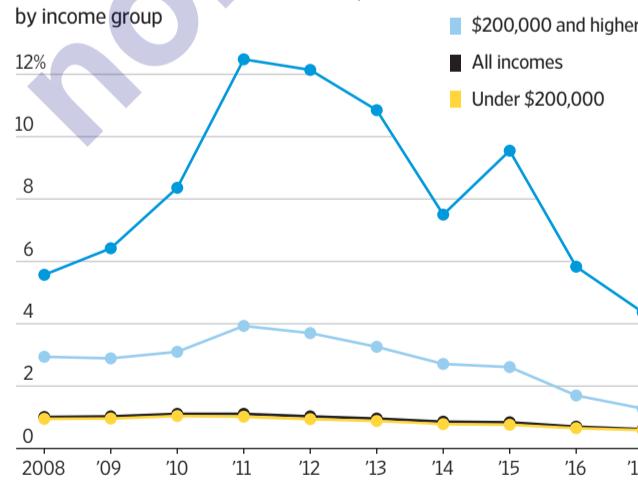
In 2017, the IRS audited 4.37% of returns with income of \$1 million and higher, less than half the 9.55% audit rate for such returns in 2015. It marked the lowest rate of audits for that income group since 2004, when the data were first released. In late 2015, the Treasury inspector general said that high earners should be an enforcement priority for the IRS.

The audit rate for other income groups also declined, but not as much. For taxpayers earning less than \$200,000, the percentage of returns audited dropped to 0.59% in 2017 from 0.76% in 2015.

Andy Mattson, a certified public accountant at Moss Adams LLP in Silicon Valley with many wealthy clients, said he has noticed the de-

Less Scrutiny

Share of tax returns that were audited, by income group



Note: Figures reflect audits in each fiscal year as a percentage of returns in the prior calendar year. The '\$200,000 and higher' income group includes the '\$1 million and higher' group.

Source: Internal Revenue Service

available IRS data. For 2015, filers earning between \$200,000 and \$500,000 paid nearly 21% of the total. Filers earning between \$100,000 and \$200,000 paid 22%.

The IRS's audit statistics don't include the results of document-matching requests, which are typically generated by computer. Such requests ask the taxpayer to explain discrepancies between the tax return and information reported by a third party like a bank or broker. In 2017, 3.3 million cases in this program brought in revenue of \$6.6 billion, which was lower than in the prior year, according to IRS data.

Revenue from individual income taxes is the single largest source of federal receipts and has been growing as a percentage of the total. In fiscal 2017, it accounted for nearly 48% of federal revenue, up from 45% a decade earlier, according to data from the Joint Committee on Taxation, a nonpartisan committee of Congress with professional experts on staff.

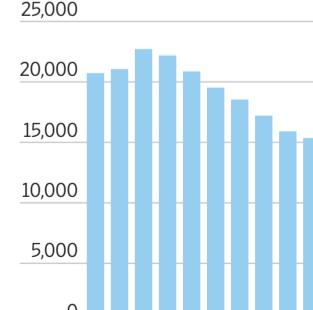
The revenue from corporate taxes accounted for 9% of total revenue in 2017, down from 12% a decade ago, the committee's data show.

Business audits declined in 2017 for the second consecutive year. The audit rate for all businesses dropped to 0.44% in 2017 from 0.71% in 2012, the peak for the decade, according to the IRS.

The only category of businesses for which audits didn't drop in 2017 was partnerships. That audit rate was 0.38% for both 2016 and 2017.

Shrinking Staff

IRS enforcement personnel



Source: Internal Revenue Service

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CORRECTIONS & AMPLIFICATIONS

A chart with a Page One article on Monday about **General Electric** Co. showed the assets of GE Capital in billions of dollars. The label of the vertical axis incorrectly omitted the word billions.

For a house purchased in 2018 with a \$1 million mortgage and \$60,000 in annual mortgage-interest payments that is rented out for three months of the year, the homeowner can deduct \$48,750 in mortgage interest under the new tax law. And the tax savings from this rental strategy would be \$1,387.50 for someone in the 37% bracket, \$1,200 for the 32% bracket and \$900 for the 24% bracket. An article

about short-term rentals that appeared Monday in the Journal Report on Wealth Management incorrectly said the homeowner could take mortgage deductions totaling \$60,000 and would save \$5,550, \$4,800 or \$3,600 from this strategy, depending on tax bracket.

Seoul-based bitcoin exchange Youbit on Dec. 1 purchased a one-year cyber insurance policy with damage coverage up to about \$2.8 million from **DB**

U.S. NEWS

Homeless Shelter Plan Is Scrapped

In California's Orange County, officials offer apology after residents criticize 'tent cities'

By IAN LOVETT

SANTA ANA, Calif.—Faced with a growing homeless population and a federal judge's order to find shelter for hundreds of people living on the streets, Orange County lawmakers recently devised a plan: Open as many as three temporary shelters across this coastal county.

It didn't last a week.

On Tuesday, county supervisors scrapped the plan for the shelters, following days of furious blowback from residents who accused them of trying to erect "tent cities" that would turn upscale neighborhoods into skid rows.

As homeless populations continue to climb in cities along the West Coast—fueled by the dwindling stock of affordable housing—the battle in Orange County, a wealthy enclave south of Los Angeles, demonstrates one of the en-

during challenges of getting people off the streets: Few communities will agree to house them.

The question of where to shelter the homeless is now pitting Orange County's 34 cities against one another, with each arguing that temporary homeless shelters don't belong there and blaming the county for failing to tackle the problem until it was too late.

In response to a federal lawsuit filed in January, a judge ordered county officials to find shelter for hundreds of people who were cleared out of an encampment along the Santa Ana riverbed last month.

The county agreed to propose 30-day motel vouchers for nearly 700 people and hoped to move them into shelters and other housing within the month. Many of the motel vouchers expire this week, and officials aren't sure where those staying in the motels will go.

Shawn Nelson, an Orange County supervisor, said the hope was that after the judicial order, local cities would help the county address the crisis, "but there are no volunteers."

All three cities where tem-



In Southern California, Orange County workers cleared a homeless encampment beside the Santa Ana River in Anaheim last month.

porary shelters had been proposed—Irvine, Huntington Beach and Laguna Niguel—threatened to file their own lawsuits against the county if the plan were enacted, arguing that it placed an unfair burden on their communities.

On Tuesday, more than 1,000 protesters surrounded the county's Board of Supervisors meeting in Santa Ana—the latest in a series of heated meetings on the issue this month—waving signs that read: "No Tent City in Irvine"

and "No Drugs Near Our Schools."

During the meeting, officials from cities throughout the county argued that they, too, shouldn't host temporary shelters, citing the proximity of proposed sites to public parks, schools, day-care facilities and libraries.

"We've taken the brunt," said Valerie Amezcua, president of the school board in Santa Ana, one of the less affluent cities in the county, where homeless encamp-

ments already dot sidewalks.

"Our kids can't use the libraries. Our kids go to school in the morning, and somebody is sleeping in front of our schools," Ms. Amezcua said at the meeting.

Christina L. Shea, the mayor pro tem of Irvine, said in an interview that Orange County had waited too long to deal with the crisis. "Because the county has chosen to close their eyes and not solve the problem, all of a sudden they're saying, 'Just build a

tent here next to \$1 million homes,'" she said.

Ultimately, county officials not only backed away from the plan they had supported last week, but also apologized for it.

"I'm sorry—we're all sorry," said Todd Spitzer, a county supervisor who represents Irvine. "We need to put roofs over people's heads, not tents."

County and city officials will meet with the federal Judge David O. Carter next week to discuss options.

Matzo Wants to Be So Much S'More

Bakers and chefs strive to give the Passover holiday staple a culinary makeover

By CHARLES PASSY

Adrienne Sherman expects more than 20 guests at her home for the elaborate Seder meal that marks the start of Passover. She will prepare dishes ranging from chicken soup to brisket to her famous carrot soufflé.

But at some point during the eight-day holiday, Ms. Sherman will break out the matzo and marshmallows.

Ms. Sherman, of Bridgewater, N.J., uses a s'mores-making kit, which also includes chocolate, from Manischewitz Company, called "S'more Matzo."

"Just plain matzo gets old," she said.

Matzo isn't your typical epicurean delight. In its pest form, the unleavened bread, central to the Jewish holiday of Passover, consists of nothing more than flour and water. The resulting product, known as the "bread of affliction," has been compared with everything from toasted cardboard to hardtack.

Enterprising outfits, bakers and chefs are trying to reverse tradition and give the holiday staple a culinary makeover. Some are using matzo in unexpected ways, trying to make it a year-round snack food like potato chips or slathering it with everything from garlic to toffee. Not all the matzo products are kosher for Passover.

At the Naga Bakehouse, a family-run bakery in the Vermont town of Middletown Springs, matzo gets the artisan treatment. Husband-and-wife founders Doug Freilich and Julie Sperling use locally sourced wheat in their flour and bake their matzo—or "Vermatzah," as they call it—in a wood-fired oven.

Pieces are wrapped in parchment paper and tied with yarn before being



Matzo Project co-founder Kevin Rodriguez, above, says his Brooklyn, N.Y., company's recipe allows for a lighter matzo than the traditional version. Below, he holds a bag of the company's matzo chips.



boxed. The taste is a bit nutty, Ms. Sperling said, with a "hint of the fire." The price—\$18 for six pieces—puts Vermatzah in a different category from standard matzo in supermarkets, which often sells for a few dollars per box.

Heidi Silverstein, a retiree who lives in Stamford,

Conn., has been buying Vermatzah for the past several years for her Passover table. "It actually has taste," she said, noting it has an earthy flavor.

The Matzo Project, a Brooklyn, N.Y., company launched in 2016, makes its gourmet version with the addition of sea salt and sun-

flower oil in the dough. The recipe allows for a lighter matzo than the traditional version, said company co-founder Kevin Rodriguez. The boxes show a caricature of a Jewish grandmother with the caption: "Would it kill you to try something new?"

Hoping for year-round appeal, the company also has a line of matzo chips, packed like other bagged snacks, in flavors including salt and cinnamon sugar.

Manischewitz, which bills itself as the largest marketer of kosher foods in North America, markets its s'mores-making kit. "Once you melt the marshmallows and the chocolate, you don't miss the graham crackers that much," said Shani Seidman, Manischewitz's marketing director.

Rabbi Moshe Elefant, chief operating officer of OU Kosher, an agency that certifies kosher products, said: "Just because it's the bread of affliction doesn't mean you have to be afflicted when you eat it."

significant harm.

A nonprofit called the Council for Education and Research on Toxics sued coffee sellers in 2010, claiming the presence of acrylamide, a chemical created during the roasting process, is carcinogenic and requires a warning under the state law known as Proposition 65.

After losing an earlier phase, the companies argued at a trial last fall that they should be allowed to come up with an alternative risk level for acrylamide in coffee.

Judge Berle said in the ruling the companies "did not offer substantial evidence to quantify any minimum amount of acrylamide in coffee that might be necessary to reduce microbial contamination or render coffee palatable." He also found the defendants' arguments that coffee itself has some health benefit "was not persuasive."

A Starbucks spokeswoman referred a request for comment to the National Coffee Association, which said the coffee industry is considering

legal options. "Cancer warning labels on coffee would be misleading," the association's president and chief executive, William Murray, said. "This lawsuit has made a mockery of Prop 65, has confused consumers, and does nothing to improve public health."

Under Proposition 65, businesses must warn about the presence of any of more than 900 chemicals on a list of those known to the state of California to cause cancer, birth defects or other reproductive harm.

Students' Share of Public Tuition Rises

By DOUGLAS BELKIN

For the first time, students in more than half of all U.S. states are paying more in tuition to attend public colleges or universities than the government contributes.

The privatization of public education has been under way for decades but this inflection point was hastened by deep cuts states made to their higher-education appropriations after the 2008 recession. Funding levels since then have only tepidly recovered, according to a report released Thursday by the State Higher Education Executive Officers Association.

The recovery has been hampered by increased demands states face to fund Medicaid, the state-federal health insurance program for the poor and disabled, and rising public-employed health and retirement costs. States haven't increased tax revenue to keep up with those rising costs.

The average annual tuition for a four-year public college or university was \$6,572 in 2017, up from \$4,784 in 2008, adjusted for inflation.

Public spending per student declined 24% between 2008 and 2012. Appropriations began ticking back up in 2012, but their recovery has been uneven across the country.

"After the Great Recession, appropriations increased around 4%, but that percentage is going down now, and it seems now we're coming to the end of the recovery," said Sophia Laderman, co-author of the report.

In 2016, students in 24 states paid more than half of the cost of their education at public schools. In 2017, through a combination of budget cuts and tuition increases, students in Kentucky, Louisiana, Oklahoma and Mississippi also passed that mark, according to the report. The average

Acceptance Rates Fall at Harvard, Ivies

Harvard hit a new low this year—in terms of its acceptance rate.

The university admitted 4.6% of applicants, or 1,962 students for the class set to begin this fall. Last year, it admitted 5.2% of applicants.

The eight campuses making up the Ivy League notified applicants on Wednesday evening about who will make up their first-year undergraduate class come fall. Seven of the eight posted record-high application numbers, while Dartmouth had its highest number in five years; seven recorded their lowest-ever acceptance rates, with Yale tying with its prior record.

Many of the applicants looked perfect on paper. At Princeton, more than 14,200 of the 35,370 applicants had a 4.0 grade point average. Yale officials were "impressed and humbled" by the volume of qualified candidates, said Jeremiah Quinlan, dean of undergraduate admissions.

The elite schools noted they are becoming less elitist, with generous financial-aid packages to lure diverse candidates: More than 20% of Harvard's admissions and 23% of Princeton's are eligible for federal Pell grants aimed at low-income students.

—Melissa Korn

amount that states pay per student nationwide, however, remains above tuition costs.

During economic downturns, public universities traditionally have been hit harder by state funding cuts than other sectors, because the schools can offset cuts with tuition increases. As of last year, states still allotted nearly \$2,000 less a student than they did in 2001 and \$1,000 less than they did in 2007, according to the report.

"It's really been a double whammy," said Andrew Carlson, the report's co-author. "We had two recessions back to back."

Only six states have reached or surpassed their prerecession crests in 2008; 19 states remain at least 20% below their prerecession level.

Higher education is the third-largest budget outlay in state spending from state and local tax sources, behind K-12 and Medicaid, according to the report. In fiscal 2017, 9.9% of state general funds were allocated to higher education, down from 12.9% in 1995.

California Judge Rules for Coffee Warning

By SARA RANDAZZO

LOS ANGELES—Coffee in the state of California must carry a cancer warning, a judge here ruled, in a blow to Starbucks and other retailers which had argued that a state law meant to protect consumers shouldn't apply to them.

The proposed ruling Wednesday from Los Angeles Superior Court Judge Elihu Berle found that Starbucks and other companies failed to prove their case that a chemical found in coffee posed no

significant harm.

A nonprofit called the Council for Education and Research on Toxics sued coffee sellers in 2010, claiming the presence of acrylamide, a chemical created during the roasting process, is carcinogenic and requires a warning under the state law known as Proposition 65.

After losing an earlier phase, the companies argued at a trial last fall that they should be allowed to come up with an alternative risk level for acrylamide in coffee.

Judge Berle said in the ruling the companies "did not offer substantial evidence to quantify any minimum amount of acrylamide in coffee that might be necessary to reduce microbial contamination or render coffee palatable." He also found the defendants' arguments that coffee itself has some health benefit "was not persuasive."

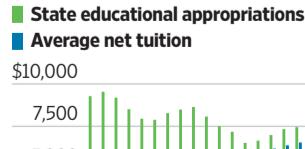
A Starbucks spokeswoman referred a request for comment to the National Coffee Association, which said the coffee industry is considering

Footing the Bill

States spend less on each university student than they did before the 2008 recession, even as tuition fees have risen.

State educational appropriations

Average net tuition



Note: Constant 2017 dollars adjusted by SHEEO Higher Education Cost Adjustment. Source: State Higher Education Executive Officers.

THE WALL STREET JOURNAL.

U.S. NEWS

All Smiles in New National Security Team

Partnership between Defense Secretary Mattis and Bolton starts on a light note

By NANCY YOUSSEF

WASHINGTON—Defense

Secretary Jim Mattis met incoming national security adviser John Bolton at the steps of the Pentagon on Thursday and jokingly told him that he had heard Mr. Bolton was the “devil incarnate.”

“And I wanted to meet you,” Mr. Mattis said as the two men walked in the building, drawing a chuckle out of Mr. Bolton.

It was an unusual start for two men who are strangers to each other and will be the nexus of the U.S. strategy heading into potential talks with North Korean leader Kim Jong Un, the Iran nuclear deal and the continuing war against Islamic State.

As Messrs. Bolton and Mat-

tis met, President Donald Trump suggested to a crowd in suburban Cleveland that the U.S. would withdraw its more than 2,000 troops from Syria. The forces have been working with local fighters to defeat Islamic State, which remains lodged in the eastern half of that country.

“We will be coming out of Syria, like, very soon,” Mr. Trump said. “Let the other people take care of it now.”

Mr. Mattis is one of the last remaining members of Mr. Trump’s original national security team, while Mr. Bolton is a decadeslong Washington veteran who advocated for the 2003 U.S. invasion of Iraq, which Mr. Trump has criticized. Last week, the president announced that Mr. Bolton would succeed Army Lt. Gen. H.R. McMaster, becoming the third national security adviser in 14 months.

Messrs. Bolton and Mattis disagree on key national security issues. Mr. Bolton has said he supports pre-emptive

strikes in North Korea and Iran, while Mr. Mattis has said that a war with North Korea would be “tragic on unbelievable scale.” He also supports the U.S. staying in the Iran deal, which the U.S. struck with that country and five other world powers.

The Pentagon said the purpose of Thursday’s meeting was to build a “productive partnership” but offered no details on what the two men discussed.

Mr. Bolton stayed nearly two hours at the Pentagon, meeting first with Mr. Mattis and then with Marine Corps Gen. Joseph Dunford, chairman of the Joint Chiefs of Staff.

Just two days earlier, Mr. Mattis dismissed fears that he and Mr. Bolton wouldn’t get along.

“I hope that there are some different worldviews. That’s the normal thing you want, unless you want groupthink,” Mr. Mattis said. “We’re going to sit down together. I look



Aaron P. Bernstein/REUTERS

Defense Secretary James Mattis, right, met John Bolton outside the Pentagon on Thursday.

forward to working with him. Last time I checked, he’s an American. I can work with an American, OK?”

Before Mr. Bolton’s arrival,

Mr. Mattis met with CIA Direc-

tor and Secretary of State nominee Mike Pompeo, Attorney General Jeff Sessions and Sen. Lindsey Graham (R., S.C.). The Pentagon said the four-

some met to discuss routine

matters, but conceded they don’t routinely meet. A U.S. defense official said the U.S. prison at Guantanamo Bay was among several issues that they discussed.

and external lobbyists includes former Senate Majority Leader Trent Lott and Brian Ballard, a Republican fundraiser who is close to Mr. Trump.

Amazon has also highlighted its positive impact on the U.S. economy, touting the small businesses that sell on its site as well as its job creation. Last year, the company said it was creating more than 130,000 full- and part-time jobs domestically through the middle of this year.

Amazon also launched a search for a second headquarters last year, promising it could bring as many as 50,000 jobs and more than \$5 billion in investment to the winning city. More than 238 cities and regions applied, and Amazon selected three of its 20 short-listed entries in the Washington, D.C., area.

Julie Bykowicz, David

Benoit and Brent Kendall

contributed to this article.



ANDREW HARRER/BLOOMBERG NEWS

Packages have been a source of growth for the Postal Service.

exchanged barbs. Mr. Trump accused Amazon’s CEO of purchasing the Post to influence politics. “If I become president, oh do they have problems,” Mr. Trump said in a speech on the campaign trail.

The criticism, though, appears to have had no actual impact on regulation of the company.

Amazon’s collection of state sales taxes has long been a point of contention for traditional retailers and state and local governments.

Amazon for years didn’t collect sales taxes in states where it didn’t have a physical presence through a warehouse or office, as permitted under federal law, creating the perception of lower-priced merchandise that helped fuel its growth.

But the company shifted its strategy in recent years, building more warehouses closer to consumers. That has triggered the need for it to collect taxes in more states due to its physical presence.

Still, analysts estimate a majority of sales on Amazon’s site stem from smaller merchants

on its site. Many of those small businesses don’t collect sales taxes outside of the states where they are based, despite being part of Amazon’s logistics network, which can allow their merchandise to be shipped to warehouses across the U.S.

Amazon in January started collecting sales taxes for sellers in Washington due to a new state law, and will do so in April in Pennsylvania. It has also started turning over some seller data to state tax officials.

The Supreme Court will hear arguments in April on a case from South Dakota challenging the standard of a physical presence as the way to determine whether to collect sales taxes.

Brick-and-mortar retailers and state governments have been urging the court to overturn its 1992 precedent. A court ruling in South Dakota’s favor would upend the online retail landscape.

The president also took aim at Amazon’s use of the U.S. Postal Service for deliveries. Amazon is one of its largest customers, contracting with the quasigovernmental agency

to deliver packages from the post office to customers’ doorsteps—the so-called last mile.

The Postal Service is mandated by Congress to charge enough to cover its costs, and must typically seek regulatory approval on pricing changes.

But some critics have said the Postal Service has underpriced this type of delivery, essentially subsidizing its last-mile deliveries because the agency already must deliver to U.S. addresses six days a week.

The president also blamed Amazon for putting thousands of retailers out of business. While many retail store locations have closed in recent years, it isn’t known how large a role Amazon may have played in the development.

Some people in the business community, including those who know Mr. Trump well, have said that antitrust law has failed its historical purpose

when it comes to Amazon, focusing too much on pricing and not enough on concerns that integrated businesses can be anticompetitive, people familiar with the matter have said.

A White House spokeswoman Thursday said that “the president has expressed his concerns with Amazon. We have no actions at this time.”

Amazon’s retail chief, Jeff Wilke, said in an interview last year that the company has grown horizontally and still

has a tiny fraction of the market in most of the segments in which it does business. Professors on antitrust and competition say that this, combined with Amazon’s tendency to lower prices to benefit consumers, helps protect the company under current law.

Still, Amazon spent \$13 million on federal lobbying last year, up from \$2.5 million in 2012. Its team of 95 internal

Donald Trump said in a tweet about Amazon that they “use our Postal System as their Delivery Boy (causing tremendous loss to the U.S.)” The sentiments echoed previous tweets.

Former Postmaster General Jack Potter said delivering packages for companies like Amazon Inc. and FedEx Corp. has been a boon to the Postal Service. “That’s actually the solution right now,” said Mr. Potter, who held the top job from 2001 to 2010. “It’s well justified that they deliver those packages, and they make money on it.”

The Postal Service has been losing money overall for years, recording a net loss of \$2.7 billion for the most recent fiscal year ended in November. The agency doesn’t break out prof-

its by delivery. But its earnings releases for that year show a sharp decline in revenue from first-class mail delivery of 6.9% to \$25.6 billion, a \$1.87 billion decline that service insiders concede is an important source of the agency’s challenges.

The agency, however, has recorded strong growth in package delivery—the category that would account for Amazon, and many other online retailers.

Revenue rose last year more than \$2 billion, or 11%, to \$19 billion. The number of parcels delivered rose from 5.1 billion to 5.7 billion, an increase of 11.7%.

A postal spokesman declined to comment on the tweet. Amazon wasn’t immediately available for comment.

—Heidi Vogt, Paul Ziobro

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U.S. NEWS

Senators Seek More From Pick

By LOUISE RADNOFSKY
AND PETER NICHOLAS

WASHINGTON—Capitol Hill lawmakers reacted guardedly to President Donald Trump's nomination of the White House physician to head the Department of Veterans Affairs, with key members noting they know little about him.

Dr. Ronny Jackson, a U.S. Navy rear admiral who has served as a White House physician during the past three administrations, is slated to succeed Secretary David Shulkin, who was ousted Wednesday. Mr. Trump indicated on Thursday that he removed Dr. Shulkin because change at the agency was coming too slowly.

The lead Republican and Democratic senators who will decide whether to confirm Dr. Jackson said they didn't yet know enough to form an opinion about his ability to lead a bureaucracy of 370,000 employees. The department, which is the second-biggest government agency, is also still recovering from a 2014 scandal in which employees were found to have falsified records to hide delays in patient care.

"I look forward to meeting Adm. Jackson and learning more about him," said Sen. Johnny Isakson (R., Ga.), chair-

man of the Committee on Veterans' Affairs, which will vote on confirmation.

Sen. Jon Tester of Montana, the top Democrat on the panel, offered a near-identical sentiment, adding that he is looking forward to "seeing if he is up to the job."

Veterans service organizations and some other lawmakers have expressed skepticism about Dr. Jackson, raising concern over the propriety of an active-duty military officer holding a political appointment, and saying his biography showed scant experience at running a bureaucracy on the scale he would inherit.

It is unclear how Dr. Jackson would address the issue of his active military status, including whether he would seek to relinquish it before securing confirmation to the new job.

Dr. Jackson's confirmation will come as senators are debating legislation that would increase veterans' ability to seek nongovernment medical care.

Past and present White House officials have praised Dr. Jackson as a steady force, deft in caring for different presidents and cabinet members. They said they found him knowledgeable about medicine, including on issues specifically affecting veterans.



JUSTIN MERRIMAN/BLOOMBERG NEWS

FirstEnergy has sought relief from the Trump administration. Above, a coal-fired power plant in Ohio.

Sessions: No New Special Counsel

By DEL QUENTIN WILBER

WASHINGTON—Attorney General Jeff Sessions has rejected calls from Republican lawmakers to appoint a second special counsel to investigate how the Justice Department and FBI handled probes involving Hillary Clinton and a former Trump campaign adviser.

Instead, Mr. Sessions has tapped the top federal prosecutor in Utah, John Huber, to review the high-profile investigations, according to a letter Mr. Sessions sent Thursday to Republican committee chairmen.

"I am confident that Mr. Huber's review will include a full, complete, and objective evaluation of these matters in a manner that is consistent with the law and the facts," Mr. Sessions wrote.

In his letter to lawmakers, Mr. Sessions said the matters didn't yet rise to the level necessary of appointing a special counsel and the Justice Department's inspector general has the necessary tools to conduct a thorough investigation. He added that Mr. Huber will provide him with regular updates and will make recommendations on whether further investigative steps, including the appointment of a special counsel, are necessary.

Mr. Huber is conducting his review in conjunction with the inspector general's office, Mr. Sessions wrote. The inspector general has spent a year examining the department's federal investigation into Mrs. Clinton's use of a private email server.

That office announced this week it would also investigate how the Justice Department and FBI obtained warrants starting in 2016 from the secret Foreign Intelligence Surveillance Court to monitor Carter Page, a former Trump campaign adviser.

Utility Seeks Federal Help

By TIMOTHY PUZO

WASHINGTON—Power company FirstEnergy Corp. is asking President Donald Trump's administration to intervene to keep struggling nuclear and coal-fired power plants running across the Midwest, escalating a fight over which fuels power the nation's electric grid.

The move puts the issue in the hands of a president and energy secretary who have promised to help the region's energy industry, especially its struggling coal mines that have closed by the dozens in recent years. Earlier this year, an independent government energy agency rejected a similar request from the Energy Department.

FirstEnergy delivered the new request hours after the company said Wednesday evening it plans to close three nuclear-power plants in Ohio and Pennsylvania by 2021 if it can't sell them. FirstEnergy's fleet of coal and nuclear plants has been tottering on bankruptcy, hit like many of its peers nationwide by aggressive competition from cleaner gas-fired and renewable power generators

that have become cheaper to run in the past decade.

The request goes to the Republican president's energy secretary, Rick Perry, who has said several times that these plants are vital to stable prices and a reliable electric grid. Late last year, Mr. Perry pitched a plan to guarantee profits for these plants, which would keep them open by ensuring they wouldn't have to compete in electricity markets. The Federal Energy Regulatory Commission rejected that plan, saying it didn't appear necessary. FirstEnergy has said Mr. Perry can use emergency powers to enact a similar plan.

Thursday's request will "go through our standard review process," Mr. Perry's spokeswoman, Shaylyn Hynes, said.

FirstEnergy's request would avoid the regulatory commission, which is still reviewing market changes that would affect these plants. It asks the Energy Department to use the Federal Power Act to force grid operator PJM Interconnection LLC to guarantee profits for nuclear and coal-fired plants across PJM's territory, which stretches from Newark, N.J., to Chicago.

PJM leaders are already considering better rewards for plants like coal and nuclear that can run steadily for days at a time. FirstEnergy said PJM isn't moving fast enough.

It cites research from the Energy Department that suggests the country does face a risk of more volatile prices and fuel shortages if nuclear and coal-fired plants continue to close without replacements.

As the Energy Department "is undoubtedly aware, threats to the nation's power supply and grid are real and can no longer be ignored," FirstEnergy's lawyers said in their application. "The nation's security is jeopardized if DOE does not act now."

A PJM executive and critics of FirstEnergy pointed out that FirstEnergy's move isn't immediate either. All of the closings FirstEnergy promised Wednesday are more than two years away. PJM said its reserve capacity is around an all-time high.

"We have concluded repeatedly that the system is reliable and we expect to maintain reliability," said Vince Duane, PJM's general counsel.



Ronny Jackson, above, is slated to succeed Secretary David Shulkin.

DEAL

Continued from Page One
deepen Walmart's relationship with a key demographic—seniors—at a time when the retailer is being threatened by Amazon on several fronts.

For Walmart, a deal would hand it a new role in health care, as well as a rich trove of data. In addition to its pharmacies, Walmart already operates some primary-care clinics and recently said it would work with a major laboratory company to begin offering lab-testing services in some of its stores.

In announcing that partnership last June, a Walmart executive said the company was "not only focused on providing accessible, affordable health care, but also working to extend our offerings—truly making our stores a one-stop shop for our customers' everyday health and wellness needs."

The Bentonville, Ark., retailer is the country's largest private employer, with about 1.5 million U.S. workers, and a deal with Humana could allow the retailer to save money on its own insurance plan.

Humana, which had \$53.8 billion in revenue last year, is the second-biggest provider of

the private Medicare plans known as Medicare Advantage. The Louisville, Ky.-based company has about 17% of the Medicare Advantage market, according to a tally by analysts at Wells Fargo, with about 3.5 million participants. Medicare is viewed as a growth engine in the insurance industry, as the baby boomers age into the program.

Humana also owns its own pharmacy-benefit manager,

In addition to its pharmacies, Walmart already has some primary-care clinics.

which itself had revenue of about \$21 billion last year, and Walmart and Humana already partner on Medicare drug plans. Humana has about 4.9 million people enrolled in its Medicare drug plans, known as Part D plans, and is the third-biggest provider of them, according to Wells Fargo.

Humana has been expanding into the business of providing health care, working closely with doctors. The insurer has said it aims to get

deeper into managing the care of its members, as a means of curbing costs and meeting quality goals. Last year, the company said it would take a stake in a big home-health and hospice-care provider.

Meantime, Amazon has loomed ever larger in the health-care industry, especially after its January announcement that it would partner with Berkshire Hathaway Inc. and JPMorgan Chase & Co. on a venture to reduce their employees' health-care costs.

Amazon also has been eyeing an entry into the pharmacy-services industry, and recently expanded its Prime discount program to beneficiaries of Medicaid, the government health-coverage program for lower-income people, a key demographic for Walmart.

A Walmart-Humana deal would cap a rapid-fire series of transactions that could transform the business of managing health care. Many of the biggest health insurers are pairing up with others outside their industry to create behemoths with a far larger role in the health-care industry after two attempted health-insurance mergers were blocked in early 2017 by courts on antitrust grounds: Aetna-Humana and Anthem Inc.-Cigna.

Health Care Revamp

A Walmart-Humana deal would cap a series of transactions that could transform the business of managing health care.

Walmart*

Annual revenue, in billions

CVS

\$185

Aetna

+\$61

UnitedHealth

\$201

Cigna

\$42

Express Scripts

+\$100

Walgreens Boots[†]

\$124

Anthem

\$90

Humana

+\$54

Market capitalization

\$500 + \$37

Walmart \$264 billion

Announced in March

Announced in December

*Fiscal year ended Jan. 31. [†]12 months ended Feb. 28. Sources: S&P Capital IQ (revenue); FactSet (market cap)

THE WALL STREET JOURNAL.



WORLD NEWS

Lashing Back, Russia Expels Diplomats

Blaming Washington for 'campaign of slander,' Moscow kicks out 60 U.S. envoys

By JAMES MARSON

MOSCOW—Russia will expel U.S. and European diplomats and close the U.S. consulate general in St. Petersburg in response to measures taken against Russia over its alleged role in the poisoning of a former double agent in England.

The Russian measures, announced Thursday by the Russian Foreign Ministry, follow the coordinated expulsion ordered this week of more than 130 Russian diplomats from the U.S. and European countries, after the U.K. government said Russia was responsible for the use of a military-grade nerve agent in an attempt to murder Sergei Skripal and his daughter, Yulia. Russia has denied it was behind the attack.

The foreign ministry said Thursday it had summoned the U.S. ambassador, Jon Huntsman, and told him that 58 U.S. envoys in Moscow and two in St. Petersburg would have to leave Russia by April 5.

"It was recommended to the U.S. authorities, who are encouraging and fanning a campaign of slander against



Russia ordered the U.S. consulate general in St. Petersburg closed, echoing Western actions after a nerve-agent attack in England.

pressure of the U.S. and the U.K. under the pretext of the so-called 'Skripal case,' state news agency RIA reported.

In Washington, the State Department criticized Russia's moves Thursday as regrettable and unwarranted.

"We don't see this as a diplomatic tit for tat. Russia is responsible for that horrific attack," State Department spokeswoman Heather Nauert said, in reference to the poisoning. "They don't need to act like a victim."

Ms. Nauert added that the U.S. reserved the right to respond further to Russia's recent moves.

The British government considered the Trump administration's response to the poison attack "very strong," Mark Sedwill, British Prime Minister Theresa May's national security adviser, said in Washington on Thursday.

Accusing Moscow of a pattern of aggressive covert behavior, Mr. Sedwill also said other steps to penalize Russia might be ahead.

"We are introducing a range of other restrictions to essentially dismantle this capability as we discover other components of it," he said. "We are encouraging other countries to do the same."

—Felicia Schwartz and Gerald F. Seib in Washington contributed to this article.

our country, to come to their senses and put a stop to reckless actions that are destroying bilateral relations," the ministry said in a statement.

The nerve-agent attack and the subsequent sanctions have deepened a rift between Rus-

sia and the West over Moscow's alleged interference in the 2016 U.S. presidential election and its military interventions in Ukraine and Syria.

The U.S., Canada and more than a dozen European countries expelled scores of Rus-

sian diplomats and intelligence officers on Monday. The ejections of 60 Russians that the U.S. identified as intelligence officers—48 from the Russian embassy and 12 from the permanent mission to the United Nations—was the larg-

est number of expulsions since the end of the Cold War.

Foreign Minister Sergei Lavrov described the measures taken by the U.S. and other Western countries last week as "unacceptable actions that are taken under the toughest

restrictions to essentially dismantle this capability as we discover other components of it," he said. "We are encouraging other countries to do the same."

—Felicia Schwartz and Gerald F. Seib in Washington contributed to this article.

KOREA

Continued from Page One

The U.S. earlier this week said it had reached a preliminary agreement to grant South Korea a permanent exemption to new steel tariffs.

The president's remarks appeared to imply he is expecting South Korea to help pressure the rival North into making concessions.

South Korean President Moon has been working for months to bring Pyongyang to the negotiating table, while standing by Washington in a "campaign of maximum pressure" aimed at isolating Pyongyang and squeezing its economy.

Thursday's talks between officials from North and South Korea followed Mr. Kim's return from Beijing, where he met Chinese President Xi Jinping this week and told him about his willingness to denuclearize, according to Chinese state media.

South Korea's chief negotiator, Cho Myoung-gyon, said Seoul would certainly raise the "denuclearization of the Korean Peninsula" at the April 27 summit between the two leaders.

But he conceded that fur-



The North and South Korean delegations shook hands in Panmunjom after their Thursday meeting.

Trump Suggests Potential Delay on Talks With Seoul

President Donald Trump floated the idea of delaying trade negotiations with South Korea to use them as leverage for reaching a deal with North Korea.

Speaking in Richfield, Ohio, on Thursday, Mr. Trump said of renegotiating the U.S.'s trade deal with South Korea: "I may hold it up until after a deal is made with North Korea.... You know why? Because it's a very

strong card."

The U.S. earlier this week reached a preliminary agreement to grant South Korea a permanent exemption to new steel tariffs in return for trade concessions, amending a 2012 trade pact in response to U.S. concerns about its \$18 billion merchandise trade deficit with Seoul.

The two countries have been working toward summits between South Korean President Moon Jae-in and North Korean leader Kim Jong Un, followed by a meeting with Mr. Kim and Mr. Trump.

—Rebecca Ballhaus

Trump has suggested the meeting could take place before the end of May.

Former officials said North Korea might not want to reveal much about its position on denuclearizing ahead of the meeting with Mr. Trump.

"Why give away that card?" said Sue Mi Terry, a China expert at the Center for Strategic and International Studies in Washington who is a former CIA analyst and National Security Council staffer.

The North Koreans were likely surprised by Mr. Trump's quick acceptance of a meeting, and are trying to

figure out their own negotiating position.

"They're probably scrambling and strategizing as well, they don't want to lock themselves down, they want to be able to hedge," Ms. Terry said.

North Korea's diplomatic outreach on talks comes as countries have stepped up enforcement of sanctions that penalize Pyongyang for its weapons development.

The restrictions have started to bite North Korea's economy, diplomats and economists said.

—Charles Hutzler in Beijing contributed to this article.

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China Keeps Tight Rein As Vatican Deal Looms

By EVA DOU

BEIJING—Chinese officials allowed an underground Catholic bishop to celebrate Holy Thursday Mass after concerns about his treatment risked upsetting efforts by Beijing and the Vatican to end a decades-long rift.

Communist Party officials had summoned Bishop Vincent Guo Xijin on Monday, worrying his followers that he would be detained through Holy Week, as he was at this time last year.

After two days of tense negotiations, the two reached a compromise over Bishop Guo's Easter appearances, and he quietly celebrated Mass on Holy Thursday, also known as Maundy Thursday, with priests in his diocese, people familiar with the matter said.

The role of Bishop Guo has loomed large in the broader negotiations over the appointment of bishops and the pope's role in China's Catholic Church. Bishop Guo is one of two Vatican-appointed bishops who have been asked by the Holy See to step aside and make way for Beijing-backed clerics, according to people with knowledge of the talks. He has said he would step down if the pope commands it.

The Vatican and Beijing have agreed on the terms of a deal on the appointment of

bishops that would help end the rift, according to people familiar with the negotiations.

A Vatican spokesman said Thursday that the signing of an accord wasn't imminent.

A Chinese Foreign Ministry spokesman expressed optimism the negotiations would lead to positive outcomes."

Last year, Bishop Guo was held in a house on a mountain for 20 days. Some priests and other followers of the bishop warned local officials they would face unfavorable publicity this year if he was mistreated with a Vatican deal on the horizon, the people familiar with the arrangement said.

Ever since Beijing set up a government-backed church in the 1950s it has tussled with the Vatican over bishop appointments, with each side sometimes appointing separate bishops and not recognizing each other's picks.

After the Mass on Thursday, officials with the United Front Work Department took Bishop Guo to the port city of Xiamen, 186 miles to the south, in part to keep him away from reporters who have descended on Luojiang with Easter's approach and the Vatican-Beijing compromise looming, the people said.

—Kersten Zhang in Beijing and Francis X. Rocca in Rome contributed to this article.

WORLD NEWS

Families Demand Answers After Fire

BY MAYELA ARMAS AND KEJAL VYAS

CARACAS, Venezuela—The families of 68 people who died in a jail fire demanded Thursday that President Nicolás Maduro's government explain what happened when the over-crowded facility in the central Venezuelan city of Valencia erupted in violence and flames.

"They need to give us justice, real justice, because what happened has no name," said José Hernandez, who said his 24-year-old son, Jefferson, was killed. "They treated human beings like they are garbage."

Late Wednesday, hours after the flames tore through the detention center of a police station, the country's attorney general, Tarek William Saab, announced the death toll and said four prosecutors had been appointed to "clarify these dramatic events." But few details had been provided as of Thursday afternoon, and government officials didn't respond to requests for comment.

Relatives of the prisoners said their loved ones called from inside the jail, telling them that shots were being fired and then that a fire was roaring out of control.

A Window to Freedom, a group that monitors conditions in the country's jails, said the trouble began when a prisoner wrested a gun from a police officer and shot him in the leg in a failed attempt to take two police officers hostage. Prisoners then set fire to mattresses, spreading smoke and flames in the confined space. Officials tried to break through and save prisoners who had been burned or were suffering from smoke inhalation.

"The victims were all killed by asphyxia," said Carlos Alberto Nieto, director of A Window to Freedom.

France's Sarkozy to Stand Trial

By MATTHEW DALTON

PARIS—Prosecutors ordered former French President Nicolas Sarkozy to stand trial for allegedly attempting to obtain confidential information about a police inquiry into his campaign finances, compounding the politician's legal woes as he faces two other criminal investigations.

Mr. Sarkozy is suspected of using his influence in 2013 as a former head of state to help a senior French court official seek a plum job in Monaco. In return, prosecutors allege Mr. Sarkozy sought access to information about a separate police inquiry into whether the

late L'Oréal heiress Liliane Bettencourt illegally financed his 2007 presidential campaign.

Mr. Sarkozy faces charges of influence-peddling and corruption, an official familiar with the investigation said Thursday. A date for the trial hasn't been set.

The move is another blemish on Mr. Sarkozy's political legacy. Last week, prosecutors brought preliminary charges of campaign-finance violations and corruption against him for allegedly accepting potentially tens of millions of euros in cash from the regime of the late Libyan dictator Moammar Gadhafi to finance Mr. Sarkozy's 2007 campaign.



Nicolas Sarkozy is suspected of using his influence to help a court official seek a plum job.

He also has been ordered to stand trial for allegedly breaking campaign-financing rules in his failed re-election bid in 2012. The charges against Mr. Sarkozy related to financing by Ms. Bettencourt were dismissed after prosecutors concluded they didn't have enough evidence to move ahead. Mr. Sarkozy had faced

preliminary charges that he took advantage of the frailty of the elderly heiress.

Mr. Sarkozy has denied wrongdoing in all three investigations. Mr. Sarkozy's lawyers, Pierre Haik and Jacqueline Laffont, said he has challenged the order to stand trial. "He has no doubt that once more, the truth will win out," they said.

Previously, Mr. Sarkozy said that he didn't attempt to influence the court official, Gilbert Azibert, and noted that Mr. Azibert was never given a job in Monaco. Mr. Azibert couldn't be reached to comment; he previously has denied any wrongdoing.

"Where is the influence-peddling? Where is the corruption?" Mr. Sarkozy said on French television in 2014. "It's scandalous."

Among the evidence gathered by investigators are recordings of phone conversations between Mr. Sarkozy and Thierry Herzog, one of his lawyers, in which they allegedly discussed the possibility of influencing Mr. Azibert, according to French officials familiar with matter. Those wiretaps were authorized under the investigation examining Mr. Sarkozy's ties to Libya. Mr. Herzog didn't respond to requests to comment. He has denied any wrongdoing.

WORLD WATCH

IRELAND

Spring Referendum On Abortion Is Set

Ireland will vote this spring on whether to overturn a constitutional abortion ban, in a referendum likely to be hotly contested as the country moves away from the conservatism of a Catholic Church tarnished by a sex-abuse scandal and other controversies.

With opinion polls pointing to a narrow vote in favor of change, the government's announcement that the referendum will be held May 25 marks the official start of a campaign over whether to allow abortion in one of the few European countries that still outlaws it.

The ban was added to Ireland's constitution in a 1983 vote. But as Irish opinion has appeared to shift, the government began paving the way to a referendum, bringing together an assembly of 99 citizens who voted in favor of recommending the ban be removed.

The country has steadily changed laws rooted in Catholic doctrine, including in a recent referendum in which voters overwhelmingly chose to legalize same-sex marriage.

—Paul Hannon



PRESS INFORMATION DEPARTMENT/REUTERS

PAKISTAN

Nobel Winner Visits Amid Heavy Security

Nobel Peace Prize winner Malala Yousafzai returned to her homeland of Pakistan for the first time since being shot by the Taliban more than five years ago and pledged to continue her campaign to promote education for girls.

Ms. Yousafzai and her family were shuttled under tight security to be welcomed at Prime Minister Shahid Khaqan Abbasi's residence. In a tearful speech she talked about how she thought of home and will continue to fight to promote women's empowerment, health, education, democracy and peace.

Ms. Yousafzai wrote a blog under a pseudonym that documented the rule of the Pakistani

Taliban. In 2012, when she was 15, two gunmen stopped her school van and shot her in the head. The Taliban later claimed responsibility. She was flown to the U.K. for treatment.

Since the attack, Ms. Yousafzai has pursued her studies and continued to speak out against extremism. She became the youngest person yet to be awarded the Nobel Prize.

—Waqar Gillani

CANADA

GDP Slips Amid New Lending Rules

The Canadian economy contracted slightly in January, falling short of expectations as tougher mortgage-lending rules contributed to the biggest decline in real-estate agents and brokers' output in more than nine years.

Lower output of nonconventional oil extraction also contributed to the overall decline in January.

Canada's gross domestic product, or the broadest measure of goods and services produced in an economy, fell 0.1% in January from the previous month to a seasonally adjusted 1.76 trillion Canadian dollars (\$136 trillion), Statistics Canada said.

Statistics Canada said the economy expanded 0.2% in December, up from an earlier estimate of a 0.1% gain. On a one-year basis, the economy grew 2.7% in January.

The weaker-than-anticipated report shows the economy got off to a slow start in 2018 after gaining 3% in 2017. It could tamp down expectations that the Bank of Canada will raise its benchmark rate in coming months.

—Kim Mackrael

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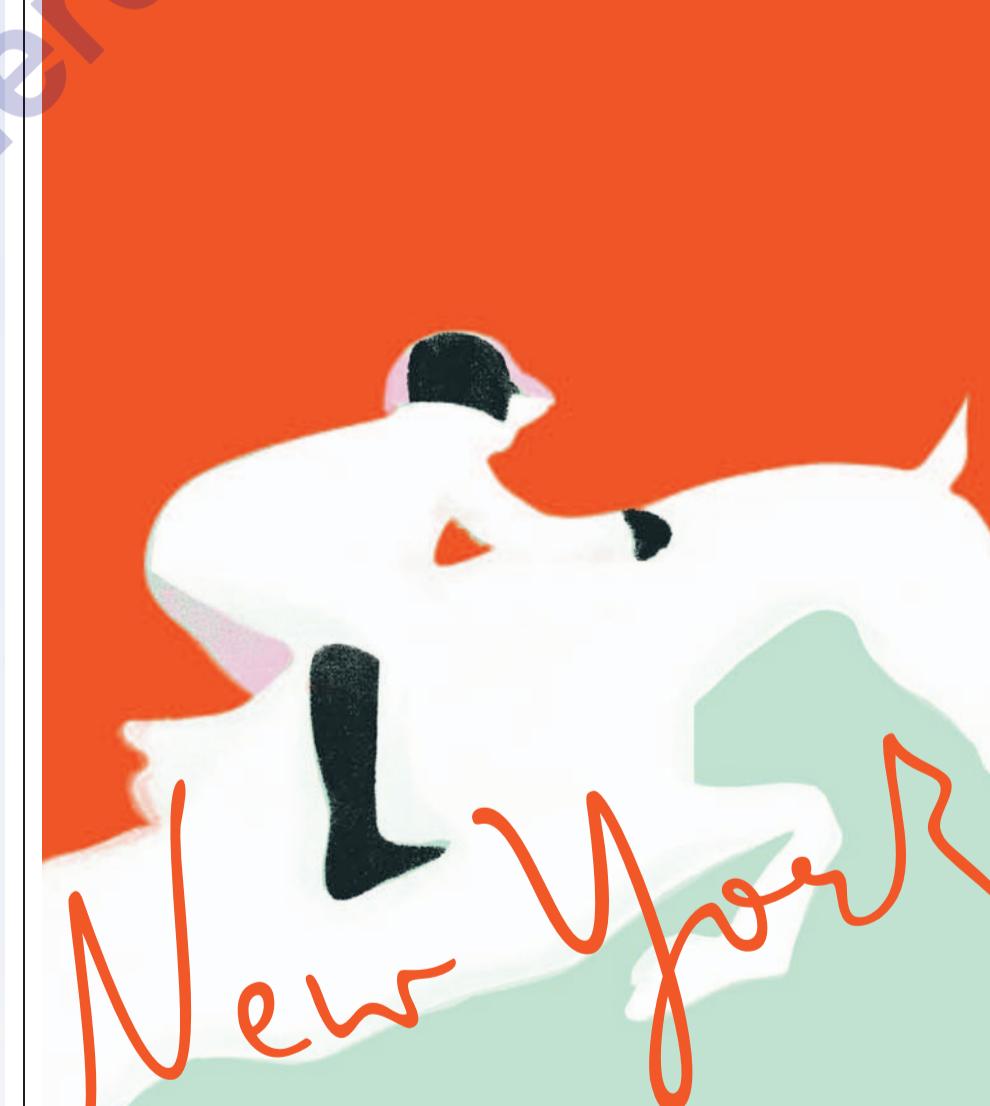
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IN DEPTH

EXXON

Continued from Page One

flags, and what it did in response, is based on interviews with three people directly involved in the negotiations and a review of transaction and bank documents detailing the movement of funds. Some of the documents were provided by Global Witness, a London-based organization that investigates corruption, which released a report on the deal Thursday. The Journal independently corroborated information from the Global Witness documents.

The bank documents reveal that hundreds of thousands of dollars in payments were made to Liberian government officials involved in the deal, including the son of the country's former president, Ellen Johnson Sirleaf, who was awarded the Nobel Peace Prize in 2011.

Exxon spokeswoman Rebecca Arnold said the company is "confident that the agreement complies with local Liberian law and international anticorruption laws....Exxon Mobil has an unwavering commitment to honest and ethical behavior wherever we do business. We have a longstanding commitment to compliance with the U.S. Foreign Corrupt Practices Act and the anticorruption laws of the countries and territories in which we do business."

Mr. Tillerson, President Donald Trump's recently ousted secretary of state, declined through a spokesman to comment.

Christopher Neyor, who was chief executive of the Liberian state oil company at the time of the London meeting, said "it was comfortable for" Exxon to deal with the Canadian company as part of the transaction. He said the state oil company and the Liberian "government at large did not know the truth" regarding the true owner of the Liberian oil stake.

President's son

Robert Sirleaf, Ms. Sirleaf's son and a former chairman of the state oil company, defended the payments to Liberian officials, saying they were bonuses for completing what was then a landmark deal in an impoverished country.

Global watchdogs see transparency as one of the best ways to reduce corruption, believing that when companies disclose payments to governments, money will be less likely to flow illegally to public officials. The U.K. in 2010 passed a law called the Bribery Act, a close cousin to the U.S. Foreign Corrupt Practices Act, which bars public companies from bribing government officials to gain an advantage over competitors.

In 2010, as Exxon's chief executive, Mr. Tillerson lobbied against a new federal requirement that required energy and mining companies to disclose payments to foreign governments, arguing that it put U.S. companies at a disadvantage to foreign rivals. Last year, U.S. lawmakers scrapped the requirement, which was part of the Dodd-Frank law.

Interest in potential oil riches off Liberia's shores blossomed in the mid-2000s as the country emerged from a long

civil war. During a chaotic transitional period before the 2006 election of Ms. Sirleaf, there was a scramble among Liberians, including some members of the government, to get a piece of the possible oil-exploitation boom, say people involved in Liberia's oil industry.

"There were a lot of suggestions that contracts were not signed in the way they would be under a more stable government," said Jeffrey Wood, a U.S. lawyer who has worked with the Liberian government on natural-resource oversight and helped it with the Exxon deal.

In 2005, when the contest for oil rights was gaining steam, a company called Broadway Consolidated PLC, registered on the Isle of Man, signed a contract with Liberia's state-run oil company, the National Oil Company of Liberia, or Nocal, for drilling rights to an offshore expanse known as Block 13. Another company, Oronto Petroleum Ltd., also obtained licenses from Nocal. Oronto said in a written statement that "multiple inquiries have concluded that Oronto's activities in Liberia were carried out in accordance with all laws and regulatory requirements." Broadway is now defunct.

Broadway investors have included an energy fund operated by RAB Capital, a U.K. investment fund. Several Liberians have also been linked to the company, including David Jallah, a politically connected lawyer listed in corporate filings as a shareholder. Mr. Jallah, the former dean of the country's law school, didn't respond to requests for comment.

Bank documents reveal that payments went to Liberian government officials.

Adolph Lawrence, a Liberian lawmaker who was chairman of the committee that oversees the country's oil-and-gas deals, once held contracts giving him the right to buy a stake in Broadway, according to a 2011 document related to a separate, scuttled transaction. He held his position at the time of the Exxon deal, although it isn't known whether he retained his Broadway interests after he began serving as a lawmaker in 2012. Mr. Lawrence didn't respond to requests for comment.

Jonathan Mason, minister of Liberia's lands, mines and energy department in the 2000s, helped launch several companies in the 1990s whose names included the word Broadway, according to documents reviewed by the Journal. In an interview, Mr. Mason said he worked as a consultant for Broadway Consolidated but never owned a stake in it.

The discovery of an enormous oil field off nearby Ghana's shores in 2007 touched off a rush to explore for oil off West Africa's coast, including in Liberia.

Exxon, Chevron Corp. and other Western companies angled to gain access to potentially lucrative concessions.

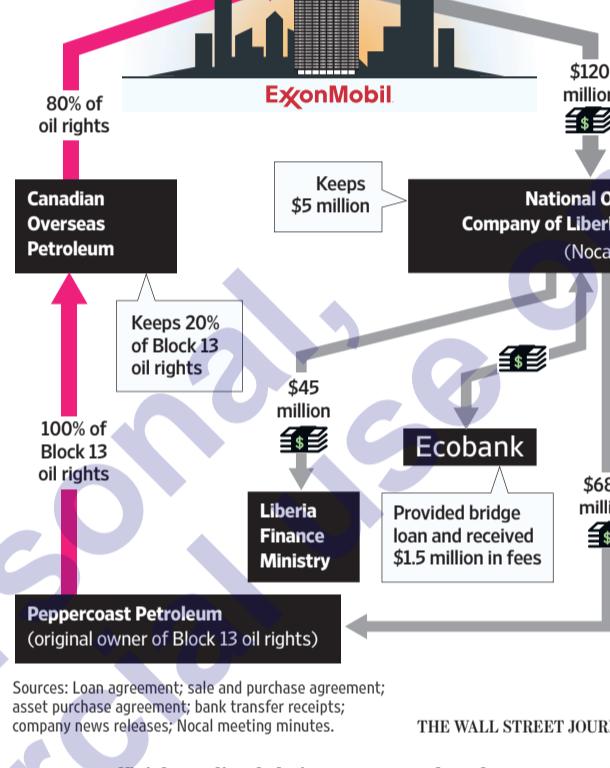


Interest in potential oil riches off the coast of Liberia, whose capital is Monrovia, above, blossomed in the mid-2000s.

They struggled to compete with state-backed firms from China and Russia that often didn't adhere to the same anticorruption standards as the U.S. and European Union.

Complicated Transaction

How Exxon Mobil structured a deal to buy oil rights off the coast of Liberia.



Sources: Loan agreement; sale and purchase agreement; asset purchase agreement; bank transfer receipts; company news releases; Nocal meeting minutes.

THE WALL STREET JOURNAL.

Exxon officials outlined their concerns about potential corruption tied to the block, according to the people and a PowerPoint presentation made by Exxon at the meeting.

Exxon detailed a two-step transaction: Canadian Overseas would purchase the rights to Block 13 from Peppercoast, then

Exxon would buy a controlling stake in the block from Canadian Overseas, according to the people and the PowerPoint presentation. Putting Canadian Overseas in the middle of the transaction would allow Exxon to avoid dealing directly with Peppercoast.

Canadian Overseas said in a written statement that it "adheres to the highest levels of corporate governance as a public company," and that it "carried out meticulous due diligence over a two-year period before completing the Liberian acquisition and sought legal advice in the UK, Liberia, Canada and United States. No evidence

was ever found to suggest Liberian government officials were linked to shareholdings in Peppercoast."

Mr. Wood, who attended the meeting on behalf of the Liberians, said Exxon was "extremely careful to be seen as doing things that were correct" in the deal.

Sixteen months later, the Liberian government approved a deal that public and internal Liberian records show was close to what had been outlined in the London hotel, with an important added detail outlined in the production-sharing agreement.

Exxon insisted that it wouldn't pay any cash to Peppercoast, nor would partner Canadian Overseas Petroleum. Instead, the money for the deal would go to the state oil company, Nocal, which had agreed to act as an intermediary. Nocal secured a short-term loan from an African bank called Ecobank Transnational

Inc. to pay Peppercoast to transfer the oil block. On April 5, 2013, Nocal used the loan to pay \$68.5 million to Peppercoast, which transferred Block 13 to Canadian Overseas, which then transferred an 80% stake to Exxon, bank records and deal documents show.

That same day, Exxon paid \$120 million from a New York bank account to the African bank used by Nocal, satisfying the short-term loan, the documents show. The Liberian government got \$45 million from the deal, Nocal got \$5 million as a bonus, and the African bank received \$1.5 million in fees, the documents show. A spokeswoman for EcoBank didn't respond to a request for comment.

Bonus payments

Weeks after the money was transferred, Nocal made payments totaling more than \$500,000 to more than 100 Nocal employees, according to Mr. Sirleaf and bank records provided by Global Witness. He received \$35,000, the bank records show.

There is no indication Exxon, Mr. Tillerson or Canadian Overseas was aware of the payments.

The Liberian government, under newly elected president George Weah, is reviewing Nocal's audit reports and the bidding processes that led to the auctioning of oil blocks, said Eugene Nagbe, Liberia's minister of information, culture and tourism, in an email. "If any corruption activity is found to have taken place, the perpetrators will be brought to justice," he said.

Mr. Sirleaf, who said he has worked for 24 years in finance for several U.S. banks, stands by the deal.

"It was the right thing to do at the right time, and it still is," he said. He compared the payments to year-end bonuses and said they were paid to all Nocal employees.

It was ultimately not the right deal for Exxon. The well it drilled to test the site's prospects came up dry. Exxon gave up its rights to the prospect last year.

ZOOS

Continued from Page One

Loves armadillos but has only seen dead ones, which is why she jumped at the opportunity to spend time with a lively one.

Animal ambassadors are popular at zoos, aquariums and aviaries across the country, but some are more popular. Encounters with red pandas are sold out at the Houston Zoo, but are available with the zoo's naked mole rat, which has large buck teeth.

When people spend time with an animal, they are more likely to care more about them and do their part to conserve places like the rain forest for species like armadillos, says Tarah Jacobs, senior supervisor of ambassador animals at the Houston Zoo, which has 60 ambassadors, representing 44 species.

They also make money for the zoos. A chance to walk with a cheetah on the leash before the Houston zoo opens costs \$195 for zoo members.

The Ambassador Animal Scientific Advisory Group, part of the Association of Zoos and Aquariums, connects zoos with animals that make good ambas-



Encounters are available with the mole rat at the Houston Zoo.

sadors, says Jim Nemet, of the Cleveland Metroparks Zoo. Exotic or novel animals small enough to handle and transport are often good choices. When zoos heard that several tawny frogmouth birds were available, "Everyone went crazy," he says. Commonly mistaken for owls, the tawny frogmouth has a big mouth and assumes a stick-like posture when threatened.

Some ambassadors travel across the country for appearances. Burley, a nine-year-old koala from the San Diego Zoo, recently flew to New York with three zoo staff members for several media appearances, in-

cluding one at The Wall Street Journal. Rick Schwartz, who heads the zoo's ambassador program, brought a portable eucalyptus tree with a perch and installed it in their hotel room.

"There's a lot of advance work for these trips," says Mr. Schwartz. While koalas are popular, it's hard to predict which ambassador will strike a chord.

People might meet a hedgehog for the first time and fall in love, he says. Training an animal to be an ambassador takes time, says Cathy Schlott, who is in charge of the National Aviary's program. Before going to visit a school or local TV station, Ms. Schlott or her staff take their birds and Willy and Wonka on short drives to get them used to being in a car. They brought along Willy's favorite feeding bowl for a recent TV appearance.

The two armadillos are easy to train, Ms. Schlott said, because they are so focused on smelling for bugs that distractions like lights and background music don't bother them. They take turns starring in Amazon Adventures, a show featuring 13 animals and birds. At one

point, a fiberglass termite mountain is rolled onto the stage. Willy or Wonka climbs up the mountain, following a path of previously laid bugs. They eat their way up and down before retreating back into their carrier.

Ms. Schlott says animals aren't forced to perform or visit, although they are encouraged and rewarded. If Willy or Wonka are napping and it's show time, Ms. Schlott will wave a dead cricket in front of their nose to wake them up. "It's like the smell of coffee to them," she says.

Last year, as a present to himself for his 44th birthday, John Santore paid \$150 to spend a half-hour with the aviary's first two-toed sloth, Valentino. This year, he decided to mark his birthday by meeting the baby sloth, Vivien, in the morning and Willy, the armadillo, in the afternoon. "They were very different experiences," says Mr. Santore, who works in information technol-

ogy. Vivien had eight visitors, a capacity sloth crowd, including Jordan McMullen, a 27-year-old mother of three with a tattoo of a sloth hanging from a doughnut on her calf. She woke at 4 a.m. and drove with her hus-

band from Baltimore to Pittsburgh to spend a half-hour with Vivien as a Valentine's Day gift. Ms. McMullen, who wore a shirt with the sloth on it, took selfies and cried. Sloths aren't just adorable but remarkable, she says. Moss grows on their fur, which camouflages them in the rain forest. "I've loved them since childhood," she says.

Mr. Santore, Willy's only guest, said armadillos aren't as cute as sloths. Willy has a long skinny pointed face. His eyes are small and close together. His ears are big and look like trumpets. But he is much more active. Willy ran in circles around him, ignoring him and the worms in his hand. "He reminds me of my cat," he said.

With no one else there, he was able to ask the trainer many questions. Willy's age (about 10 months) and his longevity (up to 15 years) has an ambassador ever refused to come out of the carrier to meet people? Yes, once when the fire alarm sounded, a sloth wouldn't budge so they had to reschedule the encounter. He learned that the reason they sit on the floor is because the Southern three-banded armadillo has poor eyesight and might run off a table.

"It was worth every penny," he says.



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GREATER NEW YORK

Subway Upgrade Could Be Fast-Tracked

New transit chief's plan would require billions of dollars and weekend outages

BY PAUL BERGER

Andy Byford, New York City's new transit chief, believes he can slash decades from the timeline for modernizing the subway system. But he admits, his aggressive plan would cost billions of dollars and years of rider pain in the form of weekend outages.

"This plan will need money, it will need time, it will need political will, and it will need the forbearance of New Yorkers," Mr.

Byford said in an interview with The Wall Street Journal. "It will not be without inconvenience."

Nine weeks into his new role, Mr. Byford is crafting a turnaround plan for New York City Transit, which he hopes to release in May. The most pressing challenge for the city's 5.6 million weekday subway riders is to rapidly update a signal system that largely was installed between 40 and 80 years ago. Outdated signals, one of the leading causes of subway delays, also are a barrier to running more trains each hour across the system's 27 lines.

According to recent estimates, it would take about 40 years to resignal the entire system. Mr. Byford believes it

could be done in 10 to 15 years. He said the agency must change its priorities and fix the signaling systems on the busiest lines sooner and faster, which would improve speed and reliability for 80% of passengers within a decade. He estimated the total cost at between \$8 billion and \$15 billion.

To achieve this, the Metropolitan Transportation Authority, which oversees New York City Transit, would need a significant, short-term public-funding commitment and a sacrifice from riders—specifically, many more weekend outages.

Resignaling the system is "the most disruptive, the most difficult, but ultimately the most transformative thing that

we can do," Mr. Byford said. Jaqi Cohen, campaign coordinator for the Straphangers Campaign, said riders already are used to evening and week-

\$15B

Top estimate of Andy Byford's proposal for subway overhaul.

end closures for upgrade work. "If this is a plan that can aggressively turn around service in a reasonable amount of time, then that's great," she said.

Finding funds for the sig-

nals upgrade won't be easy. Even taking into account budgeted fare increases, the MTA projects a \$400 million deficit by 2020.

Scott Rechler, an MTA board member appointed by New York Gov. Andrew Cuomo, said the agency has to find new, dedicated sources of revenue. "There's a clear recognition that we are in a crisis and that something has to happen here," he said.

As head of the agency that runs the subway and city buses, Mr. Byford faces myriad challenges—from overhauling the MTA with a staff of 50,000, to stemming bus passenger declines and making more subway stations accessible to people with disabilities.

He met Tuesday with operations staff and senior MTA officials and asked them to rethink the agency's signal-modernization strategy.

Today, all but one of New York City's subway lines use a block-signaling system in which the track is divided into block sections. When a train enters one section, other trains are prevented from entering the same stretch of track until the train in front has moved on. A modern system, known as "communications-based train control," allows trains to run closer together. Mr. Byford said that system could increase subway line capacity by 20% or more.

Mets Defeat Cardinals 9-4 on Opening Day



HOMESTRETCH: Todd Frazier, making his debut with the New York Mets on Thursday at Citi Field, slid into home plate ahead of the throw to St. Louis Cardinals catcher Yadier Molina in the fifth inning. The run on Adrian Gonzalez's double gave the Mets a 5-4 lead.

N.J. Drops Some Gun Investments

BY JOSEPH DE AVILA

New Jersey sold off its investments in gun manufacturers that make automatic and semiautomatic weapons for civilian use, state officials said Thursday.

The state Department of the Treasury dumped its investments in gun makers after reviewing risks to New Jersey's pension fund following the February school shooting in Parkland, Fla., that claimed the lives of 17 people.

"After the tragedy in Parkland, we examined our holdings to identify companies which might be adversely financially impacted by a changing landscape as it relates to certain types of firearms," said Chris McDonough, director of the department's investment division.

New Jersey has been winding down investments in gun makers for some time, officials said. The state sold its remaining position in Vista Outdoor, which makes semiautomatic rifles, Mr. McDonough said.

The division's decision to unload its \$1.9 million investment in the company was in the best interest of the pension's participants, state officials said. The fund still holds \$33.1 million worth of investments in gun firms that make products for the military and law enforcement, and other firearms manufacturers that make nonautomatic and nonsemiautomatic weapons.

Vista Outdoor didn't respond to a request for comment.

Gov. Phil Murphy, a Democrat, applauded the move. "Military-grade weapons do not belong in the hands of civilians," he said in a tweet.

Some public-pension funds divested investments in gun makers following the deadly 2012 shooting at Sandy Hook Elementary School in Newtown, Conn. California's teacher and public-worker pension fund sold investments in firms that made firearms that are illegal in the state. Three New York City pension funds also dropped their holdings in civilian-firearms manufacturers.

GREATER NEW YORK WATCH

NEW YORK CITY

City Probes if Club Can Exclude Men

The city is investigating whether a private club founded as workspace and networking hub exclusively for women violates the city's antidiscrimination law by barring men. A lawyer representing The Wing said it doesn't violate any city or state laws.

—Associated Press

NEW JERSEY

Officers Won't Face Charges in Shooting

Four New Jersey police officers won't be charged for fatally shooting a gunman who authorities say fired at them first.

Ocean County prosecutors said Thursday that the Brick Township officers were justified in shooting Keshawn Wilson on Aug. 20.

—Associated Press

NYPD Wins Case on Shielding Records

BY ZOLAN KANNO-YOUNGS

New York's highest court ruled that the New York Police Department doesn't have to acknowledge to two Muslim men who made public-records requests whether or not it has evidence of investigating them.

The ruling Thursday by the New York Court of Appeals gives the NYPD a Cold War-era

tool to shield information from the public, disappointing lawyers and others who said the decision would hurt efforts to hold the police accountable.

The case centered on requests in October 2012 from Talib Abdur-Rashid, an imam in New York City, and Samir Hashmi, a Rutgers University student, for records showing whether the NYPD investigated

or surveilled them or their affiliated organizations.

Chief Judge Janet DiFiore said the NYPD could refuse to confirm or deny information in "the rare case" because those submitting the request sought investigative information on themselves, which the NYPD said could risk public safety.

"That is not going to protect the public against NYPD abuse,"

said Omar Mohammed, the attorney for both petitioners.

An NYPD spokeswoman said the department would only use the response "on a very limited basis and where appropriate."

The tactic was first used by the Central Intelligence Agency in 1976 to shield whether it was using a ship, the Hughes Glomar explorer, to retrieve a sunken Soviet Union submarine.

Old Fish Makes the Best Sushi, Some Top Chefs Say

'A big goal is to dispel the myth that aged fish is gross'

BY CHARLES PASSY

The newest sushi fad in New York City is old, preferably days old.

A number of Japanese restaurants in New York City are offering an aged version of their popular specialty. Sushi prepared in this manner is more authentic, and its roots go back hundreds, if not thousands, of years, they say. Time is a friend to raw fish, giving it a richer texture and flavor, they add. The concept isn't an easy sell.

"A big goal is to dispel the myth that aged fish is gross," says Joshua Fouquier, a co-owner of Sushi Noz, a Japanese restaurant on Manhattan's Upper East Side set to open this weekend. The high-end dining spot is making aged sushi the cornerstone of its menu, charging \$300 (tip included) for a multicourse spread (or omakase) that includes several varieties of fish.

Sushi Ginza Onodera, the Michelin-starred restaurant in Midtown, takes a similar approach, with multicourse menu options that run as high as \$400 (tip included).

Three Ways to Age Fish to Perfection

At Sushi Noz, almost every fish gets its own aging process. Here are some examples:

Pink snapper: Fish is lightly salted, inside and out, and aged for five to 11 days.

Tuna: Fish is cut into a small block and aged for one week. The surface, which becomes oxidized, is removed.

Gizzard Shad: Fish is sprinkled with salt, which is rinsed off. It is marinated in vinegar and aged for three to five days.

Chef Masaki Saito says aged sushi is simply better sushi. The fish is tenderized and transformed during the process, he notes.

"The umami comes up," he says, referring to the so-called "fifth taste," a signature savory element of Japanese and other cuisines.

"If we were to use a tuna that had been caught an hour ago, the texture would be firm and probably nice. But if we age that fish for a week or so, the texture will become delicate and the fla-

vor much more complex," says Neal Covington, whose title is maritime liaison at Sushi Nakazawa, a Japanese restaurant in Greenwich Village that also ages sushi.

Aging sushi isn't as simple as just letting some fish sit around for a few days, chefs note. The process is more akin to curing. The fish is typically treated with salt, soy sauce or vinegar and is sometimes wrapped in seaweed. From there, it is chilled for periods that can range from a couple of days to slightly beyond a week.

The particulars go beyond that for truly fussy chefs. At Sushi Noz, chef Nozomu Abe uses a special icebox, imported from Japan, for aging his fish, rather than a refrigerator.

"Electricity cools the fish too much," he says.

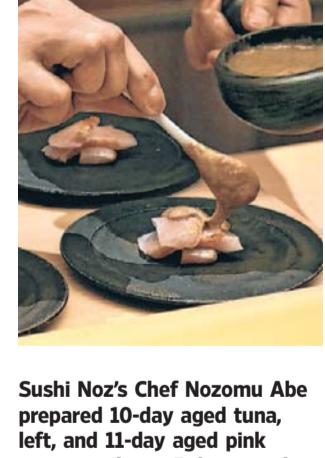
Hasaki, an East Village sushi spot in Manhattan, stands out because it has offered sushi in this style since it opened in 1984. Owner Bon Yagi admits customers always have been a bit hesitant about the idea of aged sushi. "But once they try it, they say it's so flavorful."

Not so, say even some people with adventurous palates. "If I wanted aged sushi,

I could go buy gas-station maki for \$1.99," says Allen Salkin, a veteran food writer.

New York City's Department of Health and Mental Hygiene says that dining spots offering the specialty must adhere to certain rules, such as those pertaining to raw fish and cured food products.

The city also may require restaurants to submit a plan outlining the steps they take to ensure the food is safely prepared.



Sushi Noz's Chef Nozomu Abe prepared 10-day aged tuna, left, and 11-day aged pink snapper, above. Below, aged snapper is served at Sushi Ginza Onodera in Manhattan.





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Human.

It doesn't matter where we're from,

or what we believe;

when we're cut, we bleed.

When we're sick, we suffer.

All of us.

That's what a doctor sees.

That's what a doctor heals.

And that's why we're so fortunate to have them.

Today, on National Doctors' Day, NewYork-Presbyterian would like to thank our doctors and doctors everywhere.

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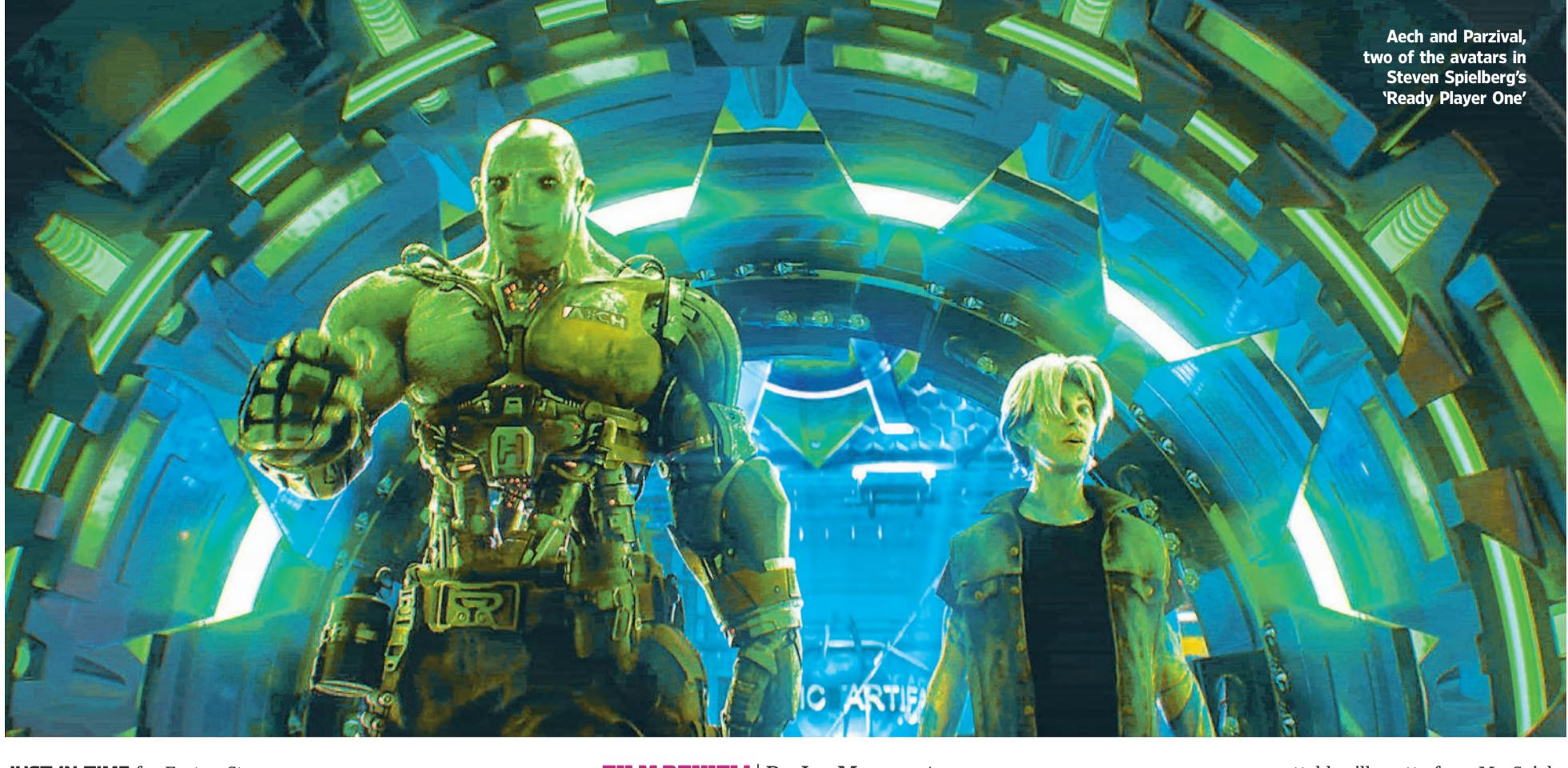
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COLUMBIA

LIFE & ARTS

Aech and Parzival, two of the avatars in Steven Spielberg's 'Ready Player One'



WARNER BROS.

JUST IN TIME for Easter, Steven Spielberg gives us "Ready Player One," an extravagant action adventure, set in the not-so-distant future of 2045, with an Easter egg at the center of its plot. The egg is virtual, one of those secrets hidden in computer games, and most of the action takes place in the Oasis, a virtual-reality game that gives players around the globe an addictive alternative to real-world squalor. At many points along the way, the film bears its maker's masterly mark—vertiginous chases, startling vistas, beguiling humor, bright flashes of young romance. Yet Mr. Spielberg serves both as sorcerer and apprentice. The technology that enabled him to conjure up all this spectacular stuff seems to have taken on a life of its own. Though the multilayered script has a lot on its mind, ideas as well as feelings must compete with a relentless succession of computer-generated sequences that don't differ all that much from what audiences see on multiplex screens every summer.

The story begins in a trailer park in Columbus, Ohio. (Zak Penn and Ernest Cline based the screenplay on the latter's young-adult novel.) It's a vertical park, a soaring jungle gym of a housing development called the Stacks, and Janusz Kaminski's camera peers at some of its residents, VR headsets strapped on their heads, as they twist, turn, leap, writhe or punch in the confines of their dismal apartments. They are simultaneously elsewhere, of course, as avatars roaming the Oasis. "These days reality is a bummer," explains

Wade Watts (Tye Sheridan), the nerdy, sweet-spirited narrator/hero whose avatar, Parzival, is a variant of Perceval, one of the knights who found the Holy Grail.

The grail Wade seeks is the ultimate Easter egg, hidden in the deepest recesses of the game by its creator, James Halliday (Mark Rylance). A lonely genius in life, Halliday is worshiped in death as something between a cybersaint and a godhead. In the three-part quest he devised, whoever manages to find the prize inherits the Oasis and the matchlessly powerful corporation that owns it.

Part of the fun of this scheme lies in anonymity—no one knows who's behind the avatars in real life—and the slow reveal of identities. Wade's companions in the treasure hunt wear, in addition to VR visors, haptic suits, boots and gloves to register tactile experience. They call themselves the High Five, and they include a whimsical colossus called Aech, and a feisty female street fighter named Art3mis, which is a variant of Artemis, the goddess of the hunt.

She's a dazzler, as avatars go—

her exquisite triangular face is topped by an electrified upsprouting of auburn hair—who turns out to be a lovely young woman named Samantha, played by Olivia Cooke. (Ms. Cooke was the girl of the title in "Me and Earl and the Dying Girl.") The High Five's evil rival, Sorrento (Ben Mendelsohn), runs another huge company in the cyberspace industry, so it's a contest between corporate greed and gamer purity, though you have to wonder how pure the kids will remain if they inherit the Oasis and all the wealth that comes with it.

Another source of fun—maybe the main source, depending on one's level of residual geekdom—comes from nostalgia. Wade wishes he'd grown up in the 1980s, during the flowering of cool technology that was enshrined in now-classic—or classically silly—motion pictures. "Ready Player One," whose title derives from the opening display on an Atari screen, is a living museum that Easter-eggs us on with countless '80s references, many obscure and others as obvious as Parzival's DeLorean (from everyone knows what Robert Ze-

mekiss film); a Rubik's cube that's called a Zemeckis cube; John Hughes films; a terrific riff on "The Shining"; a lyrical riff on "Saturday Night Fever"; Duran Duran; Michael Jackson's "Thriller"; Chuckie; "Buckaroo Banzai" and on and on.

All of it culminates in a race, derived from the Atari game "Adventure," that brings together not only the Iron Giant, an interloper from Brad Bird's 1999 animated feature, but such deathless denizens of the action genre as King Kong and Mechagodzilla, and sends everyone and everything careening through Manhattan landmarks that warp and unfold like the cityscapes in Christopher Nolan's "Inception."

But what is wrong with this part of the picture, aside from the mind-numbing jumble of images that constitutes its pride and its heavy burden? (In fairness I should note that the critics screening I attended was in 2-D; maybe I missed something in the 3-D version.)

A clue can be found in the Ambilin Entertainment logo that opens the show. It's the stark and unfor-

gettable silhouette from Mr. Spielberg's 1982 masterpiece, "E.T."—the boy on his bike with the extraterrestrial hidden in plain sight on the handlebars. You don't have to be a geek to remember how your heart soared when that bike lifted magically into the sky, or how the director's other action films of the decade—which are understandably scant in the copious references of this new one—provided such pleasures as the wry charm of Harrison Ford's whip-snapping adventurer in "Raiders of the Lost Ark"; the swooping and coursing of terrified crowds in "Empire of the Sun"; or the roller-coaster simplicity of the minecart ride in "Indiana Jones and the Temple of Doom."

One of the oddities of Mr. Spielberg's direction this time around is that a filmmaker often faulted for a sentimental streak has made a film mainly, though not entirely, notable for emotional remove. That's the nature of the production, to be sure, and it misses the point to ask, as some have recently, whether he's still able to have fun at the age and status he has attained. Sure he is. He must have had great fun making this immense Tinker Toy of a movie, but there's a fundamental mismatch between artist and material. Haptics weren't needed to feel the emotional pull of his best films; they aimed for the heart and hit much more often than they missed. "Ready Player One" aims for the adrenal gland. Whether it reaches its target, and its young target audience, remains to be seen.

FILM REVIEW | By Joe Morgenstern

In 'Player,' Motion Trounces Emotion

THEATER REVIEW | By Terry Teachout

DECLINE AND TRIUMPH

EDWARD ALBEE may have been one of America's greatest playwrights, but he was box-office poison between 1975, when he won a Pulitzer Prize for "Seascape," and 1994, when the off-Broadway premiere of "Three Tall Women" brought him a third Pulitzer after a string of flops. That "Three Tall Women" subsequently failed to move to Broadway remains an impenetrable mystery, but it's there now at last, staged with no-nonsense clarity by Joe Mantello and starring Glenda Jackson, Laurie Metcalf and Alison Pill. I trust you'll need no urging to buy a ticket, assuming you can snag one: It'll be a long time before "Three Tall Women" is performed by a better cast.

"Three Tall Women" is a conversation piece set in the bedroom of a rich, senile woman (Ms. Jackson) who is looked after by a long-suffering paid companion of a certain age (Ms. Metcalf) and is being visited by a young lawyer who takes care of her estate (Ms. Pill). In the first part of the play, Ms. Jackson's character gabbles randomly, incessantly and revealingly about her long and eventful life. Then she has a stroke, at which point the three actors suddenly metamorphose without authorial explanation into herself when young, middle-aged and very old. Each of her three selves talks, this time more directly, about a different phase of her life, after which the lights go out, both literally and figuratively. That's all there is to "Three Tall Women," but it's enough. Mr. Albee has given his three women (whom he acknowledged to constitute a group portrait of his own adoptive mother) fascinating things to say about the character whom they collectively embody, never more so than when Ms. Metcalf reflects on middle age: "It opens up

whole vistas—of decline, of obsolescence, peculiarity, but really interesting!"

Ms. Jackson, who is returning to Broadway after a 30-year hiatus, gives an acrid, wised-up performance that is as pointed as you'd expect from so celebrated an actor. It's no better, though, than that of Ms. Metcalf, who's as memorable here as she was in "Lady Bird," while Ms. Pill acquires herself well as their foil. Mr. Mantello has opted to perform "Three Tall Women" without an in-



Alison Pill, Glenda Jackson and Laurie Metcalf

termission, a smart decision that makes it even tauter, though Miriam Buether's second-act set, which adds a surrealistic touch to the play, is over-elaborate in a way that would probably have irked the author. I have no other caveats, though: This revival is entirely worthy of a play that may come in time to be seen as the best thing Mr. Albee ever wrote.

Three Tall Women

John Golden Theatre, 252 W. 45th St. (\$49-\$149), 212-239-6200, closes June 24

Mr. Teachout is the Journal's drama critic. Write to him at tteachout@wsj.com.

The WSJ Daily Crossword | Edited by Mike Shenk



MULTIPLE CHOICE TEST | By Matt Gaffney

The answer to this week's contest crossword is a unit you might encounter on a geometry test.

Across

- 1 Little jerks
- 5 Project deets
- 10 Alternative to -ville
- 14 "Yesterday!"
- 15 Have gotten out of bed
- 16 Grill link
- 17 What was the colonial name of Burkina Faso?
- 18 Tanganyika;
- 19 Cape Colony;
- 20 Upper Volta;
- 21 Basutoland
- 22 Hold
- 23 Sanctuary
- 24 Up to
- 25 School piece
- 26 Fighter in gray
- 27 San Joaquin Valley city
- 28 Hold
- 29 Sanctuary
- 30 Up to
- 31 School piece
- 32 Fighter in gray
- 33 San Joaquin Valley city
- 34 Spa sounds
- 35 What opera title character is a court jester?
- 36 Rigolletto;
- 37 Lohengrin;
- 38 Don Carlos;
- 39 Agrippina
- 40 Quiet craft
- 41 Green and others
- 42 Summer camp letters
- 43 Drops
- 44 Shiitake kin
- 45 Spa sounds
- 46 What element has atomic number 70?
- 47 Tellurium;
- 48 Americium;
- 49 Ytterbium;
- 50 Ruthenium
- 51 What opera title character is a court jester?
- 52 Rigolletto;
- 53 Lohengrin;
- 54 Don Carlos;
- 55 Agrippina

► Email your answer—in the subject line—to crossovercontest@wsj.com by 11:59 p.m. Eastern Time Sunday, April 1. A solver selected at random will win a WSJ mug. Last week's winner: Dan Coombes, Harrison, TN. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

54 Prepare to advance	18 Mulligan
55 Corrida cheer	22 Ayers Rock, alternatively
56 Flexible wood	24 Fish and chips fish
57 Tractor name	25 Be behind
58 Squeal (on)	27 Exciting
59 What state capital is known for its vast tree canopy?	28 One may be sworn
60 What state	31 Some are fine
61 Toiling	34 "Memoirs of a Geisha" setting
62 What state	36 Nashville university
63 Settlers	38 Vehicle with voltage
64 Settlers	39 Lipstick color
65 Settlers	40 Tecate alternatives
66 Settlers	41 Inquiry from the frazzled
67 Settlers	42 Abuja's nation
68 Settlers	45 It's close to rose
69 Settlers	46 Obama cabinet member
70 Settlers	47 Egyptian menace
71 Settlers	49 Colorless gas
72 Settlers	50 Article
73 Settlers	53 Ruhr city
74 Settlers	55 Sectors
75 Settlers	59 Eavesdropping pair
76 Settlers	61 Some scans
77 Settlers	63 LT's superior
78 Settlers	64 Darken
79 Settlers	65 Not normal

Previous Puzzle's Solution

FORK RETRO AGES	OBIE LIVI SWORD
OBIE CALIFORNIA	ADOPTED SOW STON
RACE ORELL ACE IT	GIT OREL ACE IT
EATING ABEYANCE	SHANKAAIRON RDA
PALMIGRIER RDA	IRAVETINDIESSEL
OVERPASS GLADE	ANDANTO HASH MIT
ANDANTO HASH MIT	CHESTBAKER IRON
CHESTBAKER IRON	LOLA IDEAL FARO
LOLA IDEAL FARO	EEELS SEAMY FIST

SPORTS

NBA

Harden's Stepback Is a Step Ahead

The Rockets star has found a shot that's basically unguardable

BY BEN COHEN

Houston

THE MOST spectacular play of this NBA season began like so many other Houston Rockets possessions. James Harden isolated his defender on the perimeter. The Rockets spread themselves across the court to let him do the one thing he does better than anyone in the history of basketball.

Before he could take yet another stepback 3-pointer, though, something oddly exciting happened: absolutely nothing.

Harden lowered his right shoulder, drove to his left, stopped and inched behind the 3-point line. But he didn't shoot. He stared. Los Angeles Clippers forward Wesley Johnson was supposed to be guarding him. Instead he was on the court splayed like a crab. Harden's stepback gave him enough time and space to glare at Johnson for two full seconds before he finally deigned to shoot.

It was the perfect encapsulation of a season in which Harden has stumbled upon a weapon the rest of the NBA is powerless to stop. Harden's stepback 3-pointer is as revolutionary as Stephen Curry's deep, off-the-dribble 3-pointer. It's a shot that's basically unguardable. It's the reason he's likely to be the league's most valuable player. It's something extraordinary that only he could make ordinary.

"He's a step ahead of the game," Rockets coach Mike D'Antoni said.

Harden takes more stepback 3-pointers than any NBA player. But that doesn't even begin to describe how much of an outlier this shot makes him. Because it doesn't make sense to compare him with NBA players. Harden has attempted more stepback 3-pointers this year than any NBA team.

There are six whole teams that haven't taken as many combined as Harden has taken by himself. The league average this season excluding the Rockets is 60. The Denver Nuggets lead the NBA with 113. James Harden alone has attempted 157.

"It's actually crazy," Rockets general manager Daryl Morey said.

Here's what's especially crazy: not how many Harden takes but how many Harden makes.

These are shots that require him to be fading away from the basket several feet behind the line with a



Houston Rockets guard James Harden shoots the ball over Kevin Durant during a game against the Golden State Warriors on Jan. 20.

hand in his face and some impossibly large man lunging at him. And yet Harden is shooting a remarkable 45.9% on his stepback 3-pointers. He's shooting 32.5% on his catch-and-shoot 3-pointers, according to NBA data, and even on his open 3-pointers he's only shooting 39.1%.

Let's take a step back to understand exactly how bananas that is.

Harden gets 0.75 points of value per shot attempt in the mid-range, 1.1 points behind the 3-point line and 1.26 points around the rim—layups and dunks that should carry the highest returns. Except they don't for Harden. And that's because he is getting 1.38 points on his stepback threes.

His stepback 3-pointer is a useful window on how and why the Rockets have won 31 of their last 33 games with the best record in the league and the best offense in the history of the league. It's both a reflection of the way they think off the court and the result of everything they do on the court.

Harden may be the only player in the league with the lower-body strength to make the stepback an

essential part of his game. When he visited the Peak Performance Project sports laboratory two years ago for biomechanical tests, Harden learned that he ranked in the 99th percentile of professional athletes in one peculiar area: how quickly he stopped his downward momentum after jumping. Harden was the fastest at slowing down.

That braking system is the secret to his stepback. Curry has the sublime hand-eye coordination to shoot 3-pointers from previously unimaginable distances. Dirk Nowitzki was tall enough to sneak his one-legged fadeaway over any defender. Harden uses his superior deceleration to create the space he requires for his stepback 3-pointers.

The Rockets, the first team to shoot more 3-pointers than 2-pointers, love things not a lot of people think they should be doing. But they didn't enter this season writing on the erasable walls in D'Antoni's office that Harden should break his own existing record for stepback 3-pointers. This idea was as much serendipity as strategy.

Here's the way D'Antoni himself describes the process by which he realized Harden taking a stepback 3-pointer was a good shot: "Ooooh, look at that! That looks good."

Harden is meticulous about creating and exploiting mismatches whenever and wherever he can find them. He usually picks one player to isolate—either his own defender or a big man who switches onto him—and then picks on him. The guy stuck guarding Harden finds himself on an island.

The other Rockets and their defenders are standing far enough away that if they were standing any farther they would have to pay for their seats. They become useful by disappearing. Because he no longer needs his teammates at that point: All but two of Harden's stepback threes have been unassisted.

What becomes painfully obvious when you re-watch his 157 stepbacks is that it doesn't seem to matter who's guarding Harden once he's isolated. He counts guards, wings and even the game's defensive stars like Draymond Green and Paul George among the victims of his stepbacks. But there

is no one he enjoys roasting more than a big man.

He's shooting 55% on his stepback 3-pointers over the rim-protectors he drags out to the perimeter, according to The Wall Street Journal's analysis. The incomplete list of bigs who couldn't stop his stepback 3-pointers this season includes Anthony Davis, Giannis Antetokounmpo, Nikola Jokic, Marc Gasol, Al Horford, LaMarcus Aldridge, Myles Turner and Towns three times.

Give him too much space, and he shoots. Get too close to him, and he drives. Do everything right, and he drills a stepback three.

That's what happened in a game against Portland last week. Harden isolated Damian Lillard directly in front of the Trail Blazers' bench. Portland coach Terry Stotts could see the inevitable coming and begged for help. Al-Farouq Aminu rushed to double-team Harden. It was all useless. Harden took one bunnyhop and made his fifth stepback 3-pointer of the night over both of them.

How do you guard that?

"You don't," D'Antoni said.

GOLF

THE NEXT CHINESE TRADE ADVANTAGE

BY BRIAN COSTA

LI HAOTONG has been playing golf in the U.S. for about three years, long enough to notice just how much this country imports from his home country.

"You guys are going to die without China," he joked. "Toothbrush, everything. Everything you can think of: made in China."

Except, until recently, elite professional golfers. That is changing quickly.

On Thursday, Feng Shanshan will begin the first women's golf major of the year, the ANA Inspiration in Rancho Mirage, Calif., as the top-ranked player in the world. She became the first Chinese golfer to earn that coveted status last fall.

One week later, Li will tee off at the Masters as the highest-ranked Chinese male golfer ever, at No. 41 in the world. Last summer, at age 21, he finished third at the British Open. Earlier this year, he edged Rory McIlroy to win the Dubai Desert Classic.

"We can show the world the Chinese can play golf," Li said, though people in the business of golf see much more than a point of pride in their ascent. They see the potential to awaken the sport's sleeping giant.

For all its wealth, and a population of 1.4 billion, China has never particularly taken to golf. Mao Zedong banned the sport while leading China's socialist transformation starting in 1949, viewing golf as too elitist. There was a course construction boom in the early 2000s, though that stalled in recent years amid government crackdowns on corruption, which made golf-play-

ing by officials a taboo and on the overbuilding of golf courses, which was seen as wasteful.

The more Chinese golfers ingrain themselves in the upper echelon of the sport, the more hope golf executives see in a country where growth has been plodding and uneven at best.

"Given the expanding middle class in China and the number of people, if there is even a fraction of interest from there that compares to Japan or Korea, the future has a high potential," said Ty Votaw, the PGA Tour's head of global business affairs.

The precedent both the PGA Tour and the LPGA can look to is just east of China. Golf was not widely popular in South Korea until Pak Se-ri became a force on the LPGA in the late 1990s. The country has since become a hotbed for the sport, and its corporations have become essential to the financial health of the LPGA.

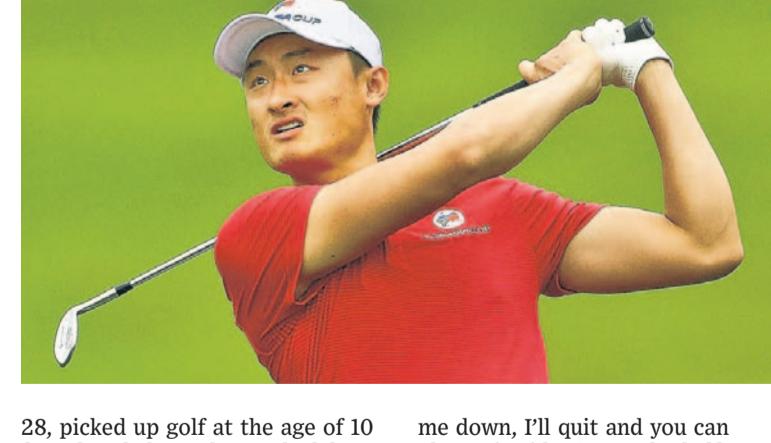
But the obstacles are greater in China, where more than 200 courses have been closed as part of President Xi Jinping's war on government corruption and gaudy symbols of wealth. Fewer than 500 courses remain in the country.

Gareth Winslow, a New Zealand-born golf coach who works in Shanghai, lost two jobs in recent years when a course and a driving range where he worked were abruptly shut down. "The bulldozers come in and just knock everything down, so there aren't a lot of options after that," he said.

Li, Feng and the Chinese golfers coming up behind them can't change policies, but they can raise the profile of the sport. Feng, now



Top, Feng Shanshan poses with the Chinese flag. Below, Li Haotong is set to make his Masters debut next week.



28, picked up golf at the age of 10 from her father, who worked for the Chinese Golf Association. At the time, most of her friends didn't even know what golf was.

"I would say that I finished like second in the national junior championship," Feng said at a news conference in November. "They will be like, 'Oh, that's super,' but they don't know actually what golf is. They don't know I only had like three competitors in my group."

Likewise, Li started out caddying for his father, a golf fanatic who owned a car dealership in Hunan. "He said if one day you take

me down, I'll quit and you can play," Li said. "One and a half years later, I beat him and he quit."

Li's parents now travel the world with him as he splits time between the European and PGA tours. His mother became an internet sensation last summer when she waded into a water hazard at the French Open to retrieve a putter her son had thrown into it in frustration. Only after she was nearly waist-deep in a pond did she realize Li had snapped the putter in half before he chucked it.

Easing the transition to tour life for both Feng and Li is the fact that

they learned to speak English relatively quickly. Li said he picked up the language by listening to other players' conversations and asking them to type words he didn't know into a translation app on his phone. On an errant tee shot, he will now even yell at his ball in English.

Still, the rise of Feng and Li was fueled more by how much golf covets China than the other way around. Feng got an offer from a top American coach, Gary Gilchrist, to train with him as a teenager. Li got on the PGA Tour China—which returns this year after struggling to obtain approval for tournaments in 2017—at the age of 14.

Winslow, the coach, said junior golf academies have become more popular among affluent parents who view the sport as a path to a scholarship at a U.S. college. But even courses that haven't been shut down are typically high-end and ultra-expensive. Few offer greens fees below \$200.

If Chinese professionals continue to make headlines overseas, it may draw more wealthy Chinese to the game. Winslow said, "but if China wants to become a global power in golf, there needs to be more accessibility."

OPINION

In for a Penny, in for Impound



POTOMAC WATCH
By Kimberley A. Strassel

Plenty of Republicans remain bitter that their party passed that bloated \$1.3 trillion omnibus—almost as bitter as President Trump, who felt pressured to sign it. But this fight doesn't have to be over.

Across Washington, principled conservatives are noodling with an idea that—if done right—could be a political winner. It's a chance for Republicans to honor their promises of spending restraint and redeem themselves with a base turned off by the omnibus blowout. It's an opening for the GOP to highlight the degree to which Democrats used the bill to hold the military hostage to their own domestic boondoggles. And it's a chance for Mr. Trump to present himself again as an outsider, willing to use unconventional means to change Washington's spending culture.

It's called the 1974 Impoundment Act, which allows the president to order the rescission of specific funds, so long as Congress approves those cuts within 45 days. The act hasn't seen a lot of use in recent decades. Barack Obama never saw a spending bill he didn't like, and George W. Bush never sent any formal rescission proposals to Congress—likely because he took the position

that presidents ought to have a fuller line-item veto power. Many conservatives agree, though Ronald Reagan used rescission where he could and holds the title for most proposals. Even so, the total amount all presidents since 1974 have put forward for rescission (\$76 billion) and the amount Congress ultimately approved (\$25 billion) remains pathetic.

Republicans could change that. Their control of the White House and both chambers gives them an unusual opportunity to cut big. Under the Impoundment Act, a simple majority is enough to approve presidential rescissions—no filibuster. It's a chance to take a hacksaw to the \$128 billion by which the omnibus exceeded the 2011 domestic-spending caps—everything from carbon-capture technology to pecan producers to the Gateway Tunnel Project to the Environmental Protection Agency.

The political danger here rests in Mr. Trump moving unilaterally, with a rescission package that shames his fellow Republicans in Congress and puts them at greater risk in the midterms. The trick is instead for House Speaker Paul Ryan and Senate Majority Leader Mitch McConnell to request Mr. Trump go the impoundment route, or for the White House and congressional leaders to make a joint announcement.

Which gets to the other trick—getting congressional

Republicans to come on board and take credit for spending cuts. The GOP is correct that most of the spending hikes were at Democratic demand, but many Republicans used that as an excuse to stuff in their own pork. Messrs. Ryan's and McConnell's job is to explain that, with midterms at stake, the party needs to prove it can do a better job with the

holding out the threat of shutdown whenever the GOP doesn't comply. Let them. If Republicans show they can successfully use rescission to fix the damage, that threat is neutralized.

This is the kind of victory

the GOP needs to show it can govern, and to motivate voters to turn out in November.

Mr. Trump, meanwhile, gets to revive an overlooked tool as part of his campaign to upend Washington culture. He was clearly undecided whether to sign this ugly bill, and this allows him to follow up with a strategy to kill its most offensive pieces. And you can bet Mr. Trump, who is never happier than when bragging, will make much of that win on the midterm campaign trail.

No, the GOP can't use this to insert policy riders they failed to get the first time round. And yes, there had better be some thought put into this before anyone pulls the pin. If Messrs. Ryan and McConnell aren't willing to strong-arm their majorities to yes, they'd best not bother. Failing after floating the possibility of rescission would be worse than sitting still.

But in a Congress that has little left of substance it is willing to tackle in a midterm year, this is a fight worth having. Adding a substantial spending victory to tax reform, deregulation and a growing economy could make the difference in November.

Write to kim@wsj.com.

To Appreciate Freedom, Remember Slavery

HOUSES OF WORSHIP

By Ruth Wisse

Re-enacting slavery is not everyone's idea of a good time, but this is how Jews celebrate Passover. Eating matzo—the bread of affliction—and horseradish, Jews gather at the ceremonial Seder to recall their enslavement under Pharaoh in ancient Egypt. Every family and household recreates the text of the Haggada, the narration, in its own way, to ensure that each participant experiences the national ordeal.

It might seem strange that people who prepare challah for the Sabbath and welcome the New Year with apples and honey choose to mark the low point of their history. Slavery is emotionally humiliating, physically harmful and psychologically degrading. It includes having sons killed at birth and daughters at the mercy of rapists, eating only bitterness and providing sweetness for slaveholders.

And many families need no reminder national enslavement recurs for the Jewish people. Benjamin Ferencz, who helped prosecute the major Nazi war criminals at Nuremberg, named his 1979 book about Jewish forced labor "Less Than Slaves." Whereas slaves are generally well-maintained to ensure they remain productive, concentration-camp inmates were worked to death as another means of annihilation. The Haggada is mild compared with the Jewish experience under Hitler.

The Passover story should never be left half told. Understandably, American Jews felt

compelled to commemorate the unprecedented brutality of the Holocaust and its victims. They erected museums and memorials and insisted the subject be taught to schoolchildren. But the 1940s witnessed another event equally unparalleled in human history. Zionism, the Jewish movement for self-liberation, took off in Europe at the same time as German anti-Semitism, too late for the rescue of European Jewry but in time to shelter its survivors.

Echoes of Exodus in the rise of modern Israel from the Holocaust's ashes.

This was not compensation for the slaughters, God forbid, but the people's fulfillment of an ancient pledge. The assurance that slavery could be overcome inspired Jews to recover sovereignty in their homeland, which had been under foreign domination for two millennia.

The Holocaust records the triumph of anti-Semitism and the failure of Jewish political strategy in Europe. The reclamation of Israel—which began well before Hitler—records the accomplishment of a people against all odds. Telling about the Holocaust as an end in itself hollows the slavery without the Exodus. American and Soviet troops liberated the

death camps, but the national resolve of the Jewish people in recovering its freedom dwarfs the miracles that are recorded in the biblical story. This is not triumphalism but quite the opposite—a refusal to stay sunk in fear and trouble, mourning and misery, servitude and dependency.

There is an aching part of America that knows the history of slavery at first hand. "When Israel was in Egypt's land, let my people go! Oppressed so hard they could not stand, let my people go!" Singing this spiritual, African-Americans anticipated their own genuine emancipation.

Highlighting the enslavement at the expense of the Exodus runs the danger of encouraging a culture of victimhood. Jews owe it to fellow Americans to move from the suffering through to the strength, the gratitude and celebration.

Our family Seder follows the traditional Haggada with two addenda—a ceremony commemorating the uprising in the Warsaw Ghetto on the first night of Passover 1943,

and the singing of the Jewish national anthem "Hatikvah," along with "America the Beautiful." Anthems require that we stand upright. We are thankful that for us the complete Passover story corresponds to reality.

Ms. Wisse, a senior fellow at the Tikvah Fund, is author of "Jews and Power" (Schocken, 2007).

Whatever the case may be for passive monetary policy in the U.S., it is much stronger for states with a history of unstable monetary policy. Countries like Argentina and Zimbabwe should study tethering their monetary policy to a blockchain and using smart contracts to precommit to certain rules. Unlike economically more-influential nations, the flexibility of a small nation's countercyclical monetary policy should not be a factor in making the decision to go passive.

Moving away from central banks is a nice analogue to the recent trend of taking money away from poor-performing active managers and placing it in index funds. No one can deny that many active managers can't justify their fees—whether they're bonuses or budgets.

Mr. Raskin is an adjunct professor of law at New York University.

By Max Raskin

supply to increase at a fixed rate each year, regardless of politics.

Technological innovations, including blockchains and smart contracts, have made Friedman's vision even more plausible. Bitcoin, the world's most successful digital currency, was

issued on a decentralized blockchain. Bitcoin is precommitted to a certain inflation rate, and unless a significant portion of the network agrees, it won't change. No more than 21 million bitcoins will be minted, and the inflation rate will halve approximately every four years. This precommitment is effected through the network's rules, which have prohibitively high costs to change after the fact.

Defenders of the status quo warn that it would be dangerous to commit the economy to one path, given uncertainty about the future. The solution: introduce a measure that allows for discretion if certain red lines are crossed. Quantitative easing, if policy makers find it appropriate, can be written in code ahead of time, allowing for purchases of specific assets that fall below predetermined price levels.

BOOKSHELF | By Adam O'Neal

From Rap To Riches

3 Kings

By Zack O'Malley Greenburg

(Little, Brown, 307 pages, \$28)

Donald Trump was once a prominent feature on the hip-hop landscape, where his penchant for ostentatious displays of wealth paired well with hip-hop's embrace of conspicuous consumption. But lately his politics have made him toxic. In only a few years, he has evolved from hero to heel. Who will replace him as hip-hop's favorite billionaire businessman? Expect an internal hire.

Earlier this month, Forbes updated its list of hip-hop's wealthiest artists. The three men at the top have something in common: They earned substantial wealth and fame through music but eventually transformed themselves into even wealthier business executives. In "3 Kings: Diddy, Dr. Dre, Jay-Z, and Hip-Hop's Multibillion-Dollar Rise," Zack O'Malley Greenburg—who compiles the Forbes hip-hop wealth list—provides a quick chronicle of how each man did it.

Hip-hop in the 1980s was a nascent but fast-growing music genre. Def Jam Recordings, the label that signed such pioneers as LL Cool J and the Beastie Boys, was started out of a New York University dorm room in 1984. Between that year and 1987 only 10 hip-hop albums sold one million copies; from 1988

to 1993 about 10 albums achieved this feat every year. As the fan base grew, artists quickly discovered that they had a burgeoning image to leverage into brand endorsements. In 1986, the members of Run-D.M.C. could be seen stomping their Adidas shell-toe shoes to the tune of \$1 million—"hip-hop's first seven-figure branding pact," Mr. Greenburg notes—a deal brokered by Def Jam's co-founder Russell Simmons.

This was the scene onto which the first of Mr. Greenburg's kings, Sean "Diddy" Combs, arrived in the late 1980s, dropping out of Howard University to work at Uptown Records. There, Mr. Greenburg tells us, Mr. Combs "applied his brand of urban panache to acts on Uptown's roster," blending hip-hop and R&B and making sure that his performers maintained enviable lifestyles. After being fired from Uptown, Mr. Combs started his own label, Bad Boy Records—featuring, most significantly, the Notorious B.I.G. Mr. Combs reinvented himself as a rapper, selling millions of records and again conveying, with flashy images of success and riches, an aspirational message. He also invested in the Sean John clothing label, Revolt TV and any other product that reflected his way of life, to cash in on the brand and his endorsement. "Whatever was in the realm of entertainment or lifestyle, or curator of cool, that's what I do," Mr. Combs once said. His earnings from an interest in Ciroc vodka topped \$60 million in 2014, according to Mr. Greenburg.

Forbes estimates Mr. Combs's net worth at \$825 million, and for years he sat atop the list of hip-hop's richest artists. This year he was overtaken by Shawn "Jay-Z" Carter. Mr. Carter took a more circuitous route to the top, learning his earliest business lessons selling crack cocaine in Brooklyn, N.Y. One of Mr. Greenburg's sources estimates that by the early 1990s Mr. Carter was moving about a kilogram of cocaine a week, a business so lucrative he almost gave up his music career. Eventually, though, he committed himself to hip-hop full-time, co-founding Roc-A-Fella Records in 1995 to release his first album. From there he would co-found Rocawear clothing in

Hip-hop's richest artist is almost a billionaire, but he didn't make his money just by cutting hit records.

1999 and become president of Def Jam in 2004. Along the way, according to Mr. Greenburg, Mr. Carter would persuade multibillion-dollar companies "to cough up a nine-figure sum for a generic product upon which he'd sprinkle his stardust." But he also developed a knack for monetizing his career in innovative ways. Samsung paid the rapper \$5 million for a million copies of his 2013 album "Magna Carta Holy Grail," which the company's Galaxy smartphone users could then download early. Last year Mr. Carter signed a \$200 million, 10-year concert deal with the events promoter Live Nation. Today Mr. Carter is close to becoming hip-hop's first billionaire, with an estimated net worth of \$900 million.

Andre "Dr. Dre" Young is the last of Mr. Greenburg's kings. Now worth an estimated \$770 million, he first gained fame in the late 1980s as a member of the West Coast hip-hop group N.W.A. But Mr. Young recognized that he needed to tone down his rough public persona if he was to gain mainstream acceptance. He later admitted that "making money is more important to me than talking about killing police." He took himself out of the spotlight and spent years focused on being a music producer and the founder of the Aftermath record label, signing such major hip-hop names as 50 Cent, Eminem and Kendrick Lamar. More so than in the case of Messrs. Carter and Combs, Mr. Young's sonic taste and obsession with perfection is the central part of his appeal. It helped him build Beats, the headphones and music-streaming brand that Apple bought in 2014 for \$3 billion in a deal that also saw Mr. Young join the tech company as an executive. Mr. Greenburg estimated in 2015 that the deal brought Mr. Young a \$500 million payout.

Mr. Greenburg does an admirable job uncovering details about each man's finances. His interviews with the kings' acquaintances and business partners are usually insightful and often amusing. Some of his reporting on how the major deals went down will be of interest to business-oriented readers, particularly his dissection of Mr. Young's former partnership—and falling out—with audio-equipment executive Noel Lee. Yet we never get a full sense of the three kings—their personal lives, family relations, cultural views—apart from their deal making and commercial success. Mr. Greenburg sometimes substitutes such insight with awkward and broad descriptions: "If anyone who knew the trio well had to cast them as Marvel superheroes, or Disney princesses, or Teenage Mutant Ninja Turtles, all three would inevitably end up in disparate roles." Even so, the book's primary observation is well-taken: Hip-hop is not becoming more corporate. If anything, corporations are becoming more hip-hop.

Mr. O'Neal is an assistant editorial features editor at the Journal.

Coming in BOOKS this weekend

Rodgers and Hammerstein's wonderful partnership • The perils of positive thinking • Faith, politics and Jimmy Carter • An authoritative history of Judaism • London's Savoy Hotel • Sam Sacks on new fiction • & much more

OPINION

REVIEW & OUTLOOK

Trump Targets Amazon

Donald Trump slammed Amazon on Twitter Thursday, and its stock price went up. Maybe investors are figuring out that deploying federal power against the online retail behemoth isn't as easy as pressing "Tweet"—for which Americans should be grateful no matter what they think of Amazon.

On Wednesday the Axios website reported what was hardly a secret—that Mr. Trump doesn't like Amazon and its CEO Jeff Bezos, who also owns the relentlessly anti-Trump Washington Post. Amazon shares fell about 4.4% on the day, amid the general investor angst over political anger aimed at Facebook and the big tech companies.

Then on Thursday Mr. Trump, perhaps boiling over after a calm week, tweeted: "I have stated my concerns with Amazon long before the election. Unlike others, they pay little or no taxes to state & local governments, use our Postal System as their Delivery Boy (causing tremendous loss to the U.S.), and are putting many thousands of retailers out of business!"

Amazon wisely declined to respond, and the President is wrong to target a private company. That's what Democrats do—as Barack Obama did against Staples for executive compensation (2015), Anthem for raising insurance premiums (2010), and the Koch brothers for opposing renewable fuels (2015), among others. But Amazon shares popped back 1.1% Thursday in a rising market.

The reality is that Mr. Trump and the executive branch can't do much to hurt Amazon—at least not legally, or without an effort to build a far better case than his tweets offer.

Mr. Trump complains about Amazon's state and local tax payments, but Amazon has collected billions of dollars in sales tax in the states that require it. It's true that cities and states competing for Amazon's second headquarters have offered an embarrassment of taxpayer subsidies. But however regrettable, such corporate dowries aren't the concern of the federal government.

Mr. Trump could try to unleash the Internal Revenue Service, though that would be a scandal that could be an impeachable offense. The press and prosecutors would not give the Trump IRS the pass they gave Lois Lerner dur-

The President's tweets make any regulatory action seem political.

ing the Obama years for targeting conservative nonprofits with extra scrutiny.

Alternatively, Mr. Trump could try to gin up antitrust regulators at the Federal Trade Commission and Justice Department. But the federal government would struggle to prove consumer harm, the most basic criterion for an antitrust case. Amazon

has disrupted the retailing business by delivering online consumer goods conveniently and often at lower prices.

One place Amazon likely does enjoy an unfair competitive advantage is due to federal intervention. The Obama Justice Department brought an antitrust case against Apple for trying to compete with Amazon's e-books dominance. These columns called the case "quarter-baked," but liberal judges approved.

Amazon has been the main beneficiary, and today it accounts for around 75% of all e-book sales. Mr. Trump's appointees at the Justice Department should review that case, though the President's social-media outbursts will make any such intervention now seem politically motivated. Mr. Trump's tweets have already cast a political pall on Justice's legally dubious antitrust case against the AT&T-Time Warner merger.

Mr. Trump's other big gripe is that taxpayers are on the losing end of Amazon's deal with the U.S. Postal Service. But that story is also more complicated. The Post Office has often operated at a net loss, but package volumes grew in fiscal 2017 by more than 11%, making it a rare growth market. Many of the additional 589 million boxes delivered last year came from Amazon.

Though imperfect, the deal is mutually beneficial. The Post Office arguably needs Amazon more than Amazon needs the Post Office. The Post Office could drop Amazon as a delivery partner, but it would likely have to raise prices elsewhere or endure higher losses. Would Mr. Trump take credit for that?

Mr. Trump can rail against anyone he wants, but America is still a nation of laws, as Mr. Obama also discovered. This is a lesson Mr. Trump's critics forgot as they cried wolf over a fascist takeover. The political reality is that the more Mr. Trump publicly assails Amazon, the harder it will be to take regulatory action, deserved or not.

Barclays Foils Bank Heist

Congratulations to Barclays PLC, which was vindicated Thursday for its December 2016 decision to fight the Obama Administration's attempt to stage one last bank robbery. The British bank agreed to pay \$2 billion to settle the Justice Department charges without admitting guilt.

The \$2 billion is the amount Barclays had previously told Justice was the most it would pay, and it is much less than the \$5 billion Justice demanded. It is also much less than the \$7 billion that Deutsche Bank and \$5 billion that Credit Suisse paid in 2016 when they declined to fight similar charges. Barclays refused to roll over, and its shareholders are better off for it.

Barclays knew it had a strong case because Justice's original complaint was what we called at the time "a 198-page flight from logic." The feds accused Barclays of defrauding investors by selling mortgage-backed securities in the years before the 2008 financial panic, but Barclays was also an investor in most of those securities. The Justice theory apparently was that

The British bank saves \$3 billion by fighting a late Obama hit.

Barclays was defrauding itself.

The feds also claimed that Citigroup was a Barclays victim, though Citi had previously paid \$7 billion as a punishment for its sales of fraudulent mortgage securities. Citi: victim and villain at the same time. The Obama gamble was that its charges would never be tested in court because the banks would settle.

And while Barclays did settle to get the dispute over with and save on legal costs, Justice acted Thursday as if the department has surrendered. Justice unrolled the charges with much fanfare in 2016, as was the Obama-era habit against unpopular business targets. But on Thursday Justice slunk away with a two-page press release that included: "These are allegations only, which the Defendants dispute, and there has been no trial or adjudication or judicial finding of any issue of fact or law."

The Obama bank heists were politically motivated, fact-free assaults, and Justice was right to settle before it suffered an embarrassing legal defeat.

A Republican Pulse in Connecticut

Despite years of zombie sightings, the Connecticut Republican Party is not dead. On Tuesday 18 GOP state senators voted as a bloc to defeat Democratic Gov. Dannel Malloy's nominee for Chief Justice of the state Supreme Court. A lone Democratic defector provided the margin of victory in the Legislature's evenly divided upper chamber.

Democrats in the deep-blue Nutmeg State own the governorship, the lieutenant governorship, the state House of Representatives and the congressional delegation (5-0). The national Republican Party has all but written off the "land of steady habits" and bad economic policy. Yet in 2016 the GOP managed to pick up three seats in the state Senate, turning a 21-15 Democratic advantage into an 18-18 tie. This week's court victory is a sign the party wants to make the state more competitive again.

Mr. Malloy is the most unpopular Governor in the country, so opposing him doesn't take much political courage. But his choice of nominee, current Associate Supreme Court Justice Andrew McDonald, motivated GOP opposition and helped Senate Republican leader Len Fasano keep his caucus in line.

Mr. McDonald is a political lightning rod. In 2009 as a state senator, he made national headlines and triggered huge protests when he introduced a bill to regulate the financial operations of Connecticut's Roman Catholic parishes—and only its Catholic parishes. The United States Conference of Catholic Bishops called the bill an attack "not only on the Catholic Church in Connecticut, but on the Church nationwide, on the foundational principles of religious lib-

A judicial victory shows a political opening in the ill-governed state.

erty that have served Americans of all faiths so well for so long." Mr. McDonald was forced to drop the idea.

Ahead of Tuesday's vote, Mr. Malloy and his Democratic allies railed against what they called the "politicization" of the judicial nomination process. But Mr. McDonald is nothing if not political. He was the city of Stamford's director of legal affairs and corporation counsel while Mr. Malloy was mayor. Before being nominated to the court, Mr. McDonald was the Governor's chief counsel.

Mr. Malloy politicized the debate himself by accusing opponents of fighting Mr. McDonald because he is gay. Some Republicans, he said, "don't believe that a gay person should be on the Supreme Court."

That line might have worked had 11 of the Senate's then 14 Republicans not voted to elevate Mr. McDonald to the state's high court in 2013, despite his lack of judicial experience. Connecticut is among the more culturally tolerant corners of America, and Mr. McDonald's homosexuality played no role in the nomination until the Governor raised it.

The question is whether this show of GOP resolve is a harbinger of a 2018 electoral comeback. Democrats under Mr. Malloy have made Connecticut a wholly owned subsidiary of government unions. Rising taxes, the worst economy in the Northeast and unsustainable pension obligations are driving people and businesses out of the state. A united GOP can make an excellent case to retake the governorship this year and save the state from the decline brought by progressive union governance.

Mr. Jindal presents Medicare Advantage as beneficial for patients just because it is "private." It introduces a new layer of bureaucracy with highly paid executives at the expense of the taxpayer and sick people.

LETTERS TO THE EDITOR

The Democrats, Catholics, God and Caesar

Regarding "The Democrats Abandon Catholics" by Cardinal Timothy Dolan (Houses of Worship, March 23): Among many other issues, the U.S. Conference of Catholic Bishops has stressed the need for gun control, accepting immigrants and refugees, extending DACA and CHIP, the right to health care for all, progressive taxation, raising the minimum wage, supporting Black Lives Matter and increasing welfare given to low-income families. These are all positions the bishops' conference shares with the Democratic Party.

I disagree with the cardinal's point on education. Universal primary education wasn't something the U.S. provided while Archbishop John Hughes was alive, so his efforts to educate those outside the system were admirable. Today, any child can go to public school at no additional cost and attend Confraternity of Christian Doctrine (CCD) programs at their church to get a religious education. Being able to afford sending a child to elementary and high school is no longer an issue in America and should not be treated as one. However, removing funding from public schools could make it harder for already underfunded public schools to continue to offer a holistic education to all children.

It is very clear that the Democratic Party is by no means abandoning the Roman Catholic Church when 15 of the 24 Catholic senators are Democrats, 75 of the 140 Catholic representatives are Democrats, our last vice president, as well as the 2016 Democratic nominee for vice president, not to mention the chairman of the Democratic Party are all Catholic Democrats. To say Catholics are abandoning the party is only hurting the work on causes they share with the Democrats.

EDDIE ZAKRESKI
Duquesne University
Pittsburgh

I don't know where the good cardinal has been for the past 20 years, but the Democrats abandoned Catholics, and dare I say Christians in general, a long time ago.

THOMAS MCNAUGHTON
Pearl River, N.Y.

Numerous Democratic politicians have consistently promoted abortion while loudly proclaiming their Catholic identity: Mario Cuomo, Ted Kennedy, Nancy Pelosi, Tim Kaine, John Kerry, Joe Biden, to name a few. Yet they face no consequences from the Catholic Church. Rarely does a bishop publicly reprove them. They continue to receive communion and to trumpet their Catholic bona fides. When they die, a splendid Catholic funeral follows (see Ted Kennedy, Mario Cuomo).

The church's indulgence of pro-abortion Catholic politicians has gone on for decades. With all respect to Cardinal Dolan, it should come as no surprise that we are where we are today.

FRANCES BROWN
Newburgh, Ind.

While Cardinal Dolan states: "I'm a pastor, not a politician," yet writes that "Democrats Abandon Politics" and "if you value religious education or life's sanctity, you're not welcome in the party," in my view he is dipping his toe into politics. Cardinal Dolan has crossed over into becoming a politician.

MIKE HAMMER
Westfield, N.J.

My parents, who were strong Democrats, would be sadly disappointed at today's Democratic Party as Cardinal Dolan says his grandmother would be. It sure isn't the party of JFK any more.

DON GLENN
Elizabeth, Colo.

Golden State's Carcinogen Policy Is Rational

Regarding your editorial "A Cancer Scare Defeat in California" (March 15): The statement that California's Office of Environmental Health Hazard Assessment found the herbicide glyphosate is "unlikely to pose a cancer hazard to humans" is misleading, as it quotes an 11-year-old drinking-water assessment that has limited relevance for glyphosate exposures to consumers and workers.

In 2017 when glyphosate was added to California's Proposition 65 list, our office estimated glyphosate's potency for causing cancer in humans. We used studies cited in the 2015 glyphosate monograph by the International Agency for Research on Cancer, which, despite the unfair criticisms in your editorial, is a respected authority that the federal government and 18 states have relied on for decades to identify cancer hazards. Our assessment should be finalized in the next few weeks.

Our assessment identifies a level of glyphosate exposure that doesn't

cause a significant cancer risk and wouldn't require warnings. This is intended to help businesses determine for themselves whether they need to provide warnings to Californians for glyphosate exposures. Your statement that California is requiring "new cancer warnings on food products" is premature and overlooks the likelihood that many of these products won't require warnings. This is the case with many other chemicals subject to Proposition 65.

Since its approval by California voters in 1986, Proposition 65 has prompted the reduction or elimination of toxic chemicals in a variety of products including prenatal and children's vitamins, imported candies, cola drinks, cookies, jewelry, snack foods, car seats and bottled water, to name just a few.

ALLAN HIRSCH
Office of Environmental Health Hazard Assessment
Sacramento, Calif.

cause a significant cancer risk and wouldn't require warnings. This is intended to help businesses determine for themselves whether they need to provide warnings to Californians for glyphosate exposures. Your statement that California is requiring "new cancer warnings on food products" is premature and overlooks the likelihood that many of these products won't require warnings. This is the case with many other chemicals subject to Proposition 65.

Medicare Advantage is inconveniences for those with chronic illnesses (the more costly patients). Those enrolled in Medicare Advantage consume 66% of the average Medicare dollars of traditional Medicare patients. Conversely, patients leaving Medicare Advantage go on to spend 180% of the cost of patients enrolled in traditional Medicare during the first year after leaving. This indicates that when patients get sick they leave Medicare Advantage, possibly due to higher copays and out-of-pocket costs, and perhaps less access to care as well.

If Medicare Advantage becomes the "default plan" and insurers lose the ability to cherry pick the healthiest, most profitable seniors, insurance companies will leave in droves. Doctors who don't want to be paid less than they are under traditional Medicare will likely exit as well.

PAUL J. SCHILLING, M.D., FACR
St. Augustine, Fla.

Medicare Advantage Not a Good Bet for Most

As a registered nurse and office manager of a small subspecialty (pulmonary) physician practice, I am amazed at "Republicans' Quiet Health Victory" by Bobby Jindal (op-ed, March 22) endorsing how wonderful Medicare Advantage plans are. He mentions the Mayo Clinic, but fails to mention it will not see patients with advantage plans.

I have traditional Medicare and a supplemental policy. If I have a rare brain tumor, I can more easily go to the best neurosurgeon in the country. In many "advantage" plans the copay to see a specialist is often double the amount to see a primary-care provider. I guess the plans are so "consumer oriented" they want enrollees to see the physician with three to six years less training.

It's clear that the patient is vastly ahead with traditional Medicare.

COLLEEN DAVIS STINAR, BSN, MS

Silver City, N.M.

Mr. Jindal presents Medicare Advantage as beneficial for patients just because it is "private." It introduces a new layer of bureaucracy with highly paid executives at the expense of the taxpayer and sick people.

WALTER M. GERHOLD, M.D.

Osprey, Fla.

Advantage plan companies receive 12% to 19% more money than those in traditional Medicare. Seniors enrolled in Medicare Advantage are faced with higher deductibles and copays. More than 50% of Medicare Advantage plans pay physicians below prevailing Medicare rates. Insurers cherry pick

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

Pepper ... And Salt

THE WALL STREET JOURNAL

Hafey



"Then it's agreed - we let the Russians handle our ad campaign."

OPINION

Parents, You Can Stop Helicoptering

By Lenore Skenazy

If you send your kid out to play in the park for an hour, or buy a carton of milk, or even walk to school, guess what? If you're in Utah, you won't get arrested for negligence. Woo hoo!

You don't have to worry about a trial, fines, mandatory parenting classes, jail time or even losing custody, all thanks to a new law passed unanimously by the Utah Legislature and signed this month by Gov. Gary Herbert. It goes into effect in May. It's called the Free-Range Parents Law, named after the movement I started, Free-Range Kids.

A new Utah law means they no longer need to fear the cops if they let kids walk to school alone.

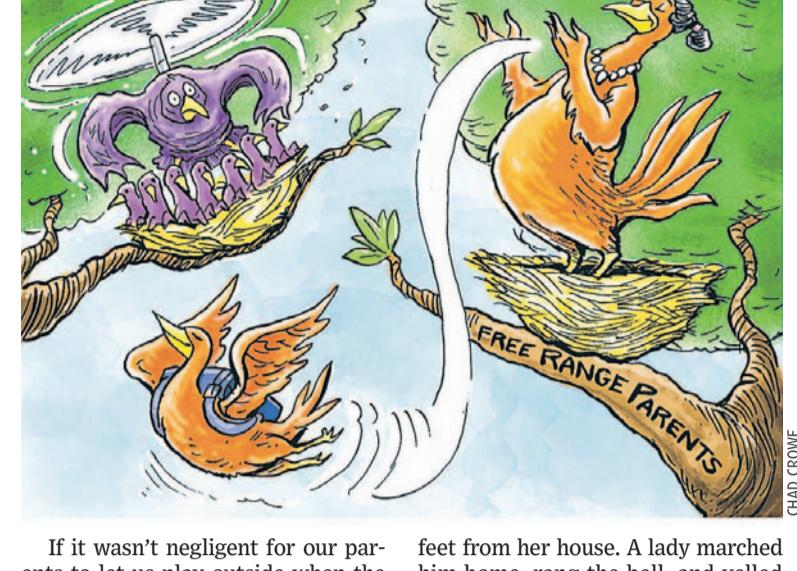
I'm the New York mom who let her 9-year-old ride the subway alone and wrote a column about it for the late, great New York Sun. That was 10 years ago April 1 (and no, it wasn't a joke). Two days later I found myself on NBC's "Today" show, MSNBC, Fox News Channel and National Public Radio. The hosts all asked the same question: "But Lenore, how would you have felt if he never came home?"

Well, I did have a spare son at home. But seriously, that very

question was the reason parents were going crazy with worry. Paranoia about abduction by strangers—among the rarest of crimes—was the whole reason kids were being supervised every second. The No. 1 cause of death for children is car accidents. Yet you don't hear talk-show hosts saying: "Oh my God, you drove your son to the dentist? How would you have felt if you got T-boned by a truck?"

I started the Free-Range Kids blog the weekend after the media firestorm, to explain that I am all for safety. I love helmets, car seats, seat belts. If you're having a baby, my shower gift is a fire extinguisher. But I let my son go out into the big wide world without me because that's what kids, certainly 9-year-olds, have been doing since the beginning of time.

It's good for them. When you're on your own, you develop curiosity, bravery and self-reliance. I am almost positive that you, dear reader, spent part of your own childhood—the best part, most likely—running around your neighborhood, hanging out with friends, playing games, riding your bike, and staying out till the streetlights came on. If that was in the '60s, '70s, '80s, or '90s, it was actually less safe than it is now. The crime rate today is back to what it was before color TV. And it's down not because we're helicoptering kids. The crime rate against adults is down too, and we don't "helicopter" them—at least once they've finished college.



worker arrived the next day and demanded the girls be examined by a doctor for signs of abuse.

Wallingford, Conn., mom Maria Hasankoli overslept one morning and her son missed the bus, so he decided to walk the two miles to school. When police were alerted to an 8-year-old outside on his own, they raced over, drove him the rest of the way, then went to his home and arrested Ms. Hasankoli—in handcuffs.

The Utah law redefines neglect to exclude letting kids walk to school, play outside, remain briefly in a vehicle under certain conditions, stay at home as a latchkey kid, or engage in any "similar independent activity." It adds that children should be of "sufficient age and maturity to avoid harm or unreasonable risk of harm," which could leave the door open for overzealous officials. But clearly the law leans in the direction of giving Free-Range parents the benefit of the doubt.

In America, we keep talking about how we need to raise a generation of kids who are smart, resilient problem-solvers ready to take on the chaotic, robotic economy ahead. We can't do it by standing always by their side, solving all their problems.

It is not negligent to believe our kids are ready for the childhood independence that made us who we are. It is negligent to deprive them of it.

Ms. Skenazy is president and co-founder of the new nonprofit Let Grow.

Britain's Monetary 'Stimulus' Has Fed the Pension Crisis

POLITICAL ECONOMICS
By Joseph C. Sternberg

The Bank of England wants you to know that the monetary pyrotechnics it set off after the 2008 global financial panic have worked splendidly to rescue the economy. The big British business stories from the past decade, including one that reached its climax this week, say otherwise.

On Thursday the shareholders of GKN, a centuries-old engineering firm, voted in favor of an £8.1 billion hostile takeover bid from Melrose, another industrial powerhouse. GKN holds a cherished place in Britain's history as manufacturer of the Spitfire planes that saved the country from the Blitz.

The fight between Melrose and management centered mainly on dueling plans to restructure the company, but one would be remiss not to mention the role GKN's pension mess has played in the saga. The company's defined-benefit program had fallen into a deficit estimated, as of this winter, anywhere

between £400 million and more than £1 billion.

The company has tried to dig itself out. For years it has enrolled new hires in a defined-contribution program, and last year it froze the accrual of further benefits within the old pensions. Management last summer announced that GKN would pour another £250 million into the defined-benefit plan to narrow its deficit. But none of that is enough when it's not possible to ditch the legacy plan immediately—and when the central bank is working against you.

Interest rates are at the heart of all this. In theory, ultralow rates and central-bank bond purchases under quantitative easing have helped the asset side of pension funds' balance sheets by inflating the stock and bond markets. Until the bubble bursts, anyway.

Yet the one unambiguous consequence of low rates for pension funds is negative: a widening gap between assets and liabilities as the expected rate of return plummets. Monetary policy since 2007 has helped open a total pension funding deficit of some £300 billion in Britain's defined-benefit pension plans,

or 15% of annual gross domestic product.

Which brings us back to GKN. A striking feature of the debate over the takeover bid is how concerns over its defined-benefit pension plan shaped the broader argument over the company's future.

Ultralow interest rates widen the gap between assets and liabilities as expected returns plummet.

Melrose promised to pump up to £1 billion into the pension fund. It also warned that management's competing plan to split off various units of GKN would leave some of the resulting pension funds dangerously short. Management replied with its own dire warning that Melrose's debt would cripple the pension plan.

The pension, the pension, the pension. Fretfulness over its future long has hemmed in strategic planning. "A GKN financial presentation would not

be complete without a bit on pensions," the company's then finance director, Adam Walker, quipped on a conference call with investors last July after years of promises to reduce its financial drag.

A working paper last month from the Bank of England lays out the extent to which such pension woes at a range of British companies are starting to stifle the economy. The more strenuously companies must work to refill their pension coffers, the more both dividends and business investment suffer. The paper suggests dividend payouts are 3% lower than they otherwise would be, and business investment is 2.5% lower, due to efforts companies have had to undertake to stabilize pension funds since 2007.

The oddity is that a separate Bank of England study this week claimed households are better off thanks to the central bank's monetary policies. That research's headline conclusion was that low rates and QE didn't exacerbate inequality, but the core of the case is that the bank's heroic exertions helped drive post-2007 wage growth, anemic as it has been.

The study argues this in part by presenting dire guesses about how poorly the economy might have performed without monetary intervention. That's in line with the theory in the pension paper that the economy overall is only slightly worse off due to pension shortfalls because monetary policy has been such effective stimulus otherwise.

Do these people not read their own working papers? Bank officials have professed for years to be puzzled that investment has stagnated, and productivity growth along with it, despite healthy economic growth. Last month's pension research is part of the answer, describing one vector through which poorly conceived monetary policy can trigger a round of malinvestment. The bank will find plenty of other vectors if it looks.

Business investment and household welfare are not distinct phenomena. Nowhere do their strands entwine quite so closely as in a pension fund, whose deficit can silently stunt investment and wage growth before, in the worst case, collapsing entirely and depriving desperate retirees of their income. As GKN's investors are but the latest to discover.

The U.S. Olympic Monopoly Needs Accountability

By Steven Sexton

S hortly after criticizing leaders of the U.S. Olympic Committee in a local television interview earlier this month, rapid-fire pistol shooter Keith Sanderson was booted from the men's national team and kicked out of the U.S. Olympic Training Center in Colorado Springs, Colo. USA Shooting, the organization approved by USOC to manage the sport, accused the three-time Olympian of multiple violations of its code of conduct. Mr. Sanderson, who was elected by fellow elite athletes to represent them on the Athletes' Advisory Council, claims he's being punished for his outspokenness.

I believe him, because something similar happened to me. I was removed in 2016 from my role as an elected athlete representative at USA Triathlon after I lobbied congressional staff for reforms to the USOC. If this is how whistle-blowers are treated, is it any wonder Larry Nassar's reign of sexual abuse at USA Gymnastics lasted as long as it did?

A growing chorus of past Olympians is calling for reform. Only Congress can fix the problem.

The USOC and the 47 national sport governing bodies it oversees operate as government-granted monopolies by virtue of the Amateur Sports Act of 1978. Were Mr. Sanderson in a different line of work, he could take his talents to another employer. But the only path to an Olympic berth for American citizens—short of defecting to another country—runs through the USOC. The USOC is a monopsonist employer of Olympic athletes. For most, it is the only buyer of their talents.

The USOC's indifference toward athletes extends beyond gymnastics, shooting, and triathlon. The 16-member board and the boards of its sport governing bodies routinely award high six-figure salaries to administrators but consign most athletes to meager stipends as they train for Olympic competition. For example, only 10% of USA Triathlon's budget is used to develop athletes in the Olympic pipeline. As much as three

times more is spent to subsidize insurance for triathlon race organizers across the country.

The current system is responsible not only for the tragic sex abuse scandals of USA Swimming and USA Gymnastics but also for diminished performance on the field of play. Team USA failed to meet expectations in Pyeongchang last month. At the Sochi games in 2014, subpar performance in speed-skating finally compelled the USOC to acknowledge athletes' claims of emotional and physical abuse by coaches and the federation's one-time president.

When governments grant exclusive licenses to operate—as they do for electric utilities, for instance—there is no threat of competition to discipline monopolies. In such circumstances oversight is paramount to ensure the public interest. Consequently, electric utilities' actions are heavily scrutinized and regulated by public utility commissions employing full-time staffs. These commissions typically fund ratepayer advocates who are charged

expressly with representing customers' interests.

No such commission oversees the USOC to guarantee athletes' safety and rights, or even to maximize Team USA's medal haul in each Olympics. The Senate Committee on Commerce, Science, and Transportation is charged with supervising the USOC but hasn't held hearings on the subject since 2003.

There can be only one Team USA, so Congress must provide oversight and force changes.

The current rules governing Olympic sports in the U.S. are sufficient only if the USOC and sport administrators can be trusted not to put their own power, wealth and prestige above the interests of Team USA athletes.

They can't. Too many suffer from "five ring fever"—the condition that

infects sports leaders carried away by illusions of their own importance.

The Athletes' Advisory Council to which Mr. Sanderson was elected is comprised of athlete volunteers from all Olympic sports. Their job is to ensure athletes are safe and equipped to compete at the highest level. But its members, many of them in active training, often lack the time, funds, and expertise to grapple effectively with more powerful interests.

Athletes are also supposed to be protected by an ombudsman, but the office is accountable to and funded by the USOC. So when Mr. Sanderson appeals his removal, the case will be heard by a committee selected by his accusers within USA Shooting. With the paltry stipend he earns as an Olympian, he can only hope to have a pro bono attorney or a handful of law students in his corner. His accusers will use the organization's relatively vast funds to fight him—funds that could otherwise be used to realize more Olympic dreams.

Americans surely don't want competing U.S. Olympic teams, and the International Olympic Committee would never allow a competitor to the USOC, so the solution is for Congress to exercise its oversight role and make institutional changes. The athlete ombudsman should be made accountable only to the athlete council, not the USOC. The USOC should be compelled to allocate at least a small fraction of its \$140 million budget to an athlete legal fund managed by the ombudsman. And athletes should be allowed greater and more direct representation on the USOC board of directors.

Awakened to problems at the USOC by the abuse of gymnasts, Congress will be complicit in the next scandal if it doesn't intervene to fix Olympic sport.

Mr. Sexton, a former member of the national triathlon team and athlete director of USA Triathlon, is an assistant professor of public policy and economics at Duke University.

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Notable & Quotable: Census

Seth Lipsky writing in the New York Post, March 29:

A letter from New York's Attorney General Eric Schneiderman, and officers of 19 states . . . was dispatched last month to Commerce Secretary Wilbur Ross, who oversees the Census. . . .

It alleges that adding a citizenship question "would significantly depress participation," slighting states and cities "with large immigrant communities." . . .

This would follow from the prospect that a depressed Census could "threaten our states' fair representation in Congress" and "dilute our states' role in the Electoral College."

If that were true, though, one

would think that New York's representation in Congress would have improved when the federal Census takers stopped asking about citizenship—in 1950, the last year the citizenship question was in the constitutionally mandated 10-year Census.

At the time, the New York delegation in the House had 45 members. Today, it has 27. That means the state's representation in the Electoral College has also collapsed to little more than half of what it was when the Census was asking about citizenship.

It's not my intent here to suggest that dropping the citizenship question caused the collapse in the state's representation in Congress and the Electoral College. Just that it didn't help much, if any.

WORLD NEWS

Saudi Prince Urges More Pressure on Iran

An opponent of the West's nuclear deal, leader says alternative is military conflict

BY MARGHERITA STANCATI

Saudi Arabia's crown prince called on the international community to squeeze Iran economically and politically to avoid a direct military confrontation in the region.

Sanctions "will create more pressure on the regime," Crown Prince Mohammed bin Salman told The Wall Street Journal this week.

Saudi Arabia has been a critic of the deal the Obama administration and other nations made in 2015 to lift some crippling economic sanctions on Iran in exchange for limits on its nuclear program.

Under Prince Mohammed, Saudi Arabia has severed diplomatic ties with Iran and pressed countries in the Middle East and Africa to curtail their relationships with Tehran, accusing it of meddling in Arab affairs.

"We have to succeed so as to avoid military conflict," said Prince Mohammed, who is Saudi Arabia's day-to-day ruler. "If we don't succeed in what we are trying to do, we will likely have war with Iran in 10-15 years."

Iran has emerged as a more potent force in the Middle East since the nuclear deal and the dismantling of Islamic



CLIFF OWEN/ASSOCIATED PRESS

Crown Prince Mohammed, who is on an extended tour of the U.S., met with President Trump and top officials in Washington last week.

State, building its influence in Syria and Iraq and allegedly supplying Yemeni rebels with weaponry used against Saudi Arabia in three-year war.

Iran denies giving arms to Yemeni rebels and says Saudi Arabia is the one playing a destabilizing role in the region.

The 32-year-old prince's father, King Salman, appointed him as heir to the throne in June last year, consolidating

his position as de facto ruler.

President Donald Trump, who met Prince Mohammed in Washington last week, has threatened to scrap the nuclear deal and nominated critics of the pact to top posts recently, including Mike Pompeo as secretary of state and John Bolton as national security adviser.

European allies have pushed to keep the deal in place.

Riyadh has applied eco-

nomic pressure in its pursuit of political goals before, with mixed results. It temporarily blocked the flow of basic goods to Yemen, but that deepened a humanitarian crisis there.

Along with its three closest Arab allies, Saudi Arabia severed ties and imposed an economic boycott on Qatar. But Qatar rejected calls from the Saudi-led block to change its foreign policy and take steps

such as ending its support for the Muslim Brotherhood, an influential political Islam movement in the Middle East.

Members of the group, whose leader was ousted from power in Egypt in a 2013 military coup, say they oppose violence and they want to rule democratically. But countries like Saudi Arabia consider the group a terrorist organization.

"The Muslim Brotherhood

is an incubator for terrorists," Prince Mohammed said. "We have to get rid of extremism. Without extremism no one can become a terrorist."

Under Prince Mohammed, who also serves as defense minister, Saudi Arabia leads a military coalition that has been fighting a war in Yemen for three years, since Iran-aligned Houthi rebels ousted from the capital the internationally recognized government of Yemeni President Abed Rabbo Mansour Hadi.

Saudi Arabia's war effort, which is supported by the U.S., has drawn criticism because of its devastating humanitarian consequences. Some 10,000 people have died so far, according to the United Nations, and the conflict has pushed Yemen to the brink of famine.

Prince Mohammed said failure to intervene in Yemen would have caused a bigger crisis. "If we didn't act in 2015 we would have had Yemen divided in half between the Houthis and al Qaeda," he said.

Over the weekend, rebels fired a barrage of missiles into Saudi Arabia, including three aimed at Riyadh, resulting in one death. It was the first time missiles fired from Yemen caused casualties in the Saudi capital. The prince dismissed the attacks. "They want to do whatever they can do before they collapse," he said of the Houthis.

◆ Saudi stocks to join major index next year B11

How Middle East's Conflicts Shut Down Its Skies



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

DUBAI—If you want to see what a tangle of geopolitical conflicts the Middle East has become, just look at its convoluted air routes.

The Qatar Airways flight from Doha to Khartoum, Sudan, travels in a semicircle and takes 5½ hours. A year ago it took two hours less and flew across Saudi Arabia—but that was before the Saudis cut relations with Qatar.

If you're flying to Mumbai from Tel Aviv on Israeli carrier El Al, it will take you eight hours as the plane doglegs past Saudi Arabia and Yemen. A direct path would take around five hours. That detour is the result of the longest and most intractable Mideast conflict—between Israel and the Palestinians.

Airspace over many Arab and Muslim nations remains closed to El Al; at the same time, the region's giant carriers such as Emirates Airline, Etihad Airways and Qatar Airways can't fly over Israel

as they head west to Europe and beyond.

As the seven-year war in Syria drags on, its airspace remains out of bounds for most international airlines, with the notable exception of Lebanon's plucky national carrier, Middle East Airlines.

Add to this war-related disruptions of flights over Iraq and Yemen and the latest dispute, between Qatar and Saudi-led Gulf states, in which Qatar Airways was barred from airspace over United Arab Emirates, Bahrain and Egypt as well as Saudi Arabia.

"Few regions of the world are as fractious and riven by airspace wars as the Middle East," said Oliver Lamb, managing director of Ailevon Pacific Aviation Consulting.

Airspace closures exact significant costs on the region's economies (and airlines) as

travel takes longer and becomes more expensive due to higher fuel costs.

For example, the popular Emirates flights from Dubai to Beirut usually take a J-shaped path as they head west to Egypt, veer sharply right over the Sinai Peninsula and then right again once past Israel.

This means at least an hour more than the direct route Emirates used to fly over Syria before the war there began.

Roundabout Way

Recent flights that have taken indirect routes because of geopolitical issues in the Mideast:

Qatar Airways | Doha to Khartoum

Until last year, the flight was a direct route across Saudi Arabia. It now takes 50% longer as the Saudis, U.A.E., Bahrain and Egypt have closed their airspace to the airline.



Source: FlightAware (flight paths)

Emirates | Dubai to Beirut

Israeli airspace is closed to the region's major airlines. As the Syrian war continues, most airlines don't fly over the country for safety reasons.



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The environment of shrinking access to airspace explains why an inaugural Air India flight from New Delhi to Tel Aviv last week was such a big deal. The link transits Saudi Arabia and Oman, making it, according to Israel's Prime Minister Benjamin Netanyahu, a huge "breakthrough" with geopolitical implications.

Other Asian air carriers are interested in following suit now that fuel-efficient flight connections to Israel can be established, he added. "Israel's trade with the Far East has expanded enormously, and to sustain it you need enough air routes."

So far, this airspace détente only concerns third-

El Al | Tel Aviv to Mumbai

Israeli airlines can't fly over most Arab and Muslim countries.



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country airlines, with Israeli and Saudi carriers barred from each other's air. Such discrimination has led to protests from El Al, which fears it won't be able to compete if its lucrative Asian routes are challenged by carriers offering cheaper and, crucially, much shorter flights.

Irrational routes aren't unique to the Middle East. China is notorious for restrictions that close much of the country to commercial air traffic. And, until 2008, flights between mainland China and Taiwan (which Beijing considers a renegade province) had to go through Hong Kong's airspace, nearly doubling flight times from Shanghai.

Opening up airspace can also be one of the easiest steps countries can take as they seek to end squabbles. It is a kind of rapprochement that—unlike, say, tourist visits or trade—remains largely invisible, and doesn't elicit as many emotions, one of the reasons the U.S. has been pushing for an airspace détente as a confidence-building measure between Israel and Gulf monarchies such as Saudi Arabia and the U.A.E.

There is a precedent: In August 1994, months before Israel and Jordan signed a peace treaty, a Jordanian Boeing 727 was allowed to fly over Tel Aviv and Jerusalem from London to Amman. The pilot: Jordan's King Hussein, whose radio conversation with Israeli Prime Minister Yitzhak Rabin was broadcast around the world.

Antiquity Trade Tied To Terror Snare Two

BY GEORGI KANTCHEV

Spanish police are holding two men suspected of trading in antiquities looted by groups linked to Islamic State, the first publicly announced detentions by Western authorities working to dismantle the terrorist group's trade in plundered art.

The objects, which included ancient mosaics and sarcophagi, were stolen from archaeological sites in Libya by groups linked to Islamic State, Spanish police said late Wednesday. The two suspects, who weren't identified by name, were being held while a judge decides whether to try them on charges of terrorism financing and other crimes.

This would be the first time authorities anywhere have detained alleged traders of Islamic State-linked antiquities, Spanish police and international experts said. In December, U.S. authorities identified numerous antiquities they said were looted by Islamic State and have filed a complaint to seize the items.

"If confirmed, [this] will be a smoking gun that 'blood antiquities' are reaching the international art market, and will hopefully serve as a wake-up call," said Deborah Lehr, chairwoman of the Antiquities Coalition, a Washington, D.C.-based nonprofit organization.

Western law-enforcement officials and experts say antiquities have been looted from the Middle East and North Africa on an industrial scale, often to finance terrorist organizations, particularly Islamic State. Some of these objects have already entered the international art market, but most objects may not surface for decades, according to these officials and experts.

Some of the artifacts originally came from the Libyan coastal region of Cyrenaica, an important Greco-Roman site that was under Islamic State control from 2011 to 2016, according to the police statement. The Libyan Embassy in Madrid didn't respond to a request for comment.

Spanish police said the two suspects led an international network based in Barcelona, dedicated to the trading of works taken from territories plundered by groups linked to Islamic State. The men, both 31-year-old Spanish citizens, used intermediaries to purchase the objects and conceal their origin by shipping them through Asia and the Middle East, police said.

Little Opposed, Sisi Nears Finish Line in Re-Election

BY JARED MALSIN

CAIRO—Egypt's Abdel Fattah Al Sisi is set to be re-elected as president, capping a campaign in which his major opponents were jailed or sidelined and some voters were enticed to the polls with offers of cash and threats of fines.

Mr. Sisi won about 90% of the vote, according to initial results reported by the official MENA news agency, winding down an election in which he faced no significant competition.

Mr. Sisi is on course to maintain his leadership for another four years. His first term came to be defined by a clampdown on political opponents and an effort to rescue the economy from the turmoil that followed a 2011 uprising that toppled former President Hosni Mubarak.

Although Mr. Sisi's victory had been expected, he had urged voters to turn out in high numbers, hoping to claim a popular mandate for his rule, which followed a military coup

in 2013. The opposition called for a boycott of the election.

In the months leading to the election, authorities detained candidates who came forward to challenge Mr. Sisi. Two, including former military chief of staff Sami Anan, remain in prison. Mr. Anan was charged with incitement against the military after he announced a presidential campaign in January, a charge his associates dismiss.

The results will be announced Monday, according to the election commission. There were no official turnout figures.

Mr. Sisi, who won the last election in 2014 with nearly 97% of the vote, has faced criticism over the economy. He floated the currency and cut subsidies as a part of a \$12 billion loan program signed with the International Monetary Fund in 2016. But he now faces discontent over rising prices of basic goods and unemployment.

Egyptian institutions used carrots and sticks to encourage participation. Some gov-

ernment employees said they were ordered to vote at work. On Wednesday, the election commission threatened to enforce obscure law imposing a fine of 500 Egyptian pounds (\$28) for not participating.

Engineering student Ahmed Hamza, 20, voted in Cairo "only because of the fine," but decided to vote for Mr. Sisi because of the government's plans to launch infrastructure projects.

Mr. Sisi "is the painful medi-

cine we need for all of our diseases—economic, social, and cultural," said Abdo Abbas, a businessman who voted in Cairo on Tuesday.

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—Amira El Fekki in Cairo contributed to this article

ISLAM SAFIYAT/NURPHOTO/ZUMA PRESS

Results of the vote are to be announced Monday. Above, a ballot count in Cairo on Wednesday.

Engineering student Ahmed Hamza, 20, voted in Cairo "only because of the fine," but decided to vote for Mr. Sisi because of the government's plans to launch infrastructure projects.

Mr. Sisi "is the painful medi-

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, March 30, 2018 | B1

Its iconic business loses organizational clout as cloud computing takes hold

BY JAY GREENE

Microsoft Corp. is downgrading the role of Windows, the storied franchise that put the company atop the personal-computer market at a time when cloud computing didn't exist.

Now, amid the massive shift in the way computing power is

harnessed, the software giant will reorganize its business around its growing Azure cloud-computing operations and its stalwart Office productivity business.

Executive Vice President Terry Myerson, who ran the Windows business, will leave the company, according to an internal email from Microsoft Chief Executive Satya Nadella on Thursday.

The move is designed to focus Microsoft on its biggest areas of growth. In its latest quarter Azure revenue jumped 98% while Office 365 grew

41%, though the company doesn't give totals for those segments. In the same period, the More Personal Computing unit, which includes Windows, gained 2% to \$12.17 billion.

"Having a deep sense of customers' unmet and unarticulated needs must drive our innovation," Mr. Nadella said in the email he sent to employees Thursday morning. "We can't let any organizational boundaries get in the way of innovation for our customers. This is why a growth-mindset culture matters."

Microsoft declined to make

executives available for comment.

In a post on Microsoft's LinkedIn page, Mr. Myerson, who has run the Windows business since 2013, said the day was an "emotional" one for him but expressed his "ongoing enthusiasm for Microsoft."

For most of its 43 years, Microsoft and Windows have been nearly synonymous. Under Mr. Nadella's predecessor, Steve Ballmer, products were sometimes stalled, or even killed, because they didn't help expand the market for the op-

erating system. That Mr. Nadella is willing to shift the company's focus away from Windows illustrates the irreversible migration from personal computing to mobile devices and the web. It also shows how Mr. Nadella is putting his own imprint on the tech giant.

"He's clearly not handcuffed by history," said Stifel Nicolaus & Co. analyst Brad Reback.

Mr. Nadella is able to break from the past because, during his four years as chief executive, Microsoft has emerged as

Please see AZURE page B2

Vanguard Clients Gripe at Snafus

BY SARAH KROUSE

Louise Robbins bought shares in an exchange-traded fund last Friday afternoon as markets fell, knowing that she had enough money in her Vanguard Group settlement fund to pay for the trade.

Tuesday morning, the 60-year-old Boston book editor received an erroneous email saying her settlement account didn't have sufficient funds to pay for the transaction. A Vanguard spokesman confirmed that other retail clients received similar messages and the problem would be resolved without customers having to take any action.

The recent settlement-fund snafu is part of a larger perception problem facing the \$5.1 trillion money manager: Customers say Vanguard's size and record inflows are increasingly putting strains on an enterprise known for its devoted customer following and low costs.

Vanguard is one of the biggest beneficiaries of an investor shift over the past decade to cheaper passively managed investment products that track the performance of indexes. It pulled in a record \$369.3 billion in new investor money in 2017. It has long had a nearly pristine reputation among customers attracted to the firm's principles of low-cost, long-term investing.

Over the past year, some customers have complained via Twitter, investment discussion forums and interviews with The Wall Street Journal of technical problems, administrative foibles and service across Vanguard's brokerage and retirement businesses.

Some of these complaints were aired on bogleheads.org, a popular online investing website named after Vanguard

Please see FUNDS page B2

Notice to Readers

U.S. financial markets are closed for Good Friday.

Bangladesh Still Grapples With Safety Lapses

BY JON EMONT

DHAKA, Bangladesh—Five years after a factory collapse killed 1,100 workers in Bangladesh's worst industrial disaster, organizations representing Western brands say that authorities in the country aren't ready to go it alone to ensure safety standards are up to scratch.

Shortly after the Rana Plaza tragedy, North American and European retailers established two parallel organizations to inspect Bangladeshi factories and mandate safety repairs. Both groups initially planned to phase themselves out in 2018.

Instead, the Bangladesh Accord on Fire and Safety, backed by European brands such as Hennes & Mauritz AB and Zara owner Inditex SA, has announced plans to extend its efforts for up to three more years.

The Alliance for Bangladesh Worker Safety, which includes North American companies such as Walmart Inc. and Gap Inc., will wind down its operations this year. It plans to establish a smaller safety monitoring organization to ensure the factories the Alliance's brands source from that are already up to code continue to maintain rigorous inspections.

"The national safety regulatory body that's supposed to be doing the work that we've been doing over the last five years is nowhere near prepared," said Rob Wayss, executive director of the Accord.

Bangladesh's government tried to upgrade its monitor-



Five years after 1,100 workers died in a factory collapse, big retailers say that authorities have yet to resolve many safety concerns.

ing and inspection regime for factories after the disaster, but progress has been plodding, according to data compiled by the International Labor Organization from Bangladesh government sources.

Of 754 garment factories that are part of the Bangla-

deshi government's safety program, just 109 have resolved more than half of the safety issues identified, which relate to structural, fire, and electrical safety—a significantly slower rate than factories covered by the Accord and Alliance.

The Accord covers

around 1,600 factories and the Alliance, 666, although there is significant overlap.

Md. Shamsuzzaman Bhuiyan, Inspector General for the Department of Inspection for Factories and Establishments, said his unit has the resources to take over the inspections

for factories currently being monitored by the Accord and Alliance. He said he didn't agree with the Accord's views on the matter. "We believe that DIFE is capable of conducting the inspections. A good number of engineers

Please see SAFETY page B2

Tesla Issues Recall For 123,000 Sedans

BY TIM HIGGINS

Tesla Inc. is voluntarily recalling about 123,000 Model S sedans globally after discovering that corrosion of certain bolts in cold-weather climates could lead to a power-steering failure.

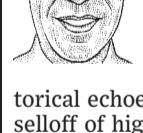
The Silicon Valley automaker on Thursday said the recall, believed to be the company's largest ever, applies to Model S sedans built before April 2016.

Tesla had sold about 280,000 total vehicles, including the company's other models, through the end of last year.

"There have been no injuries or accidents due to this component, despite accumu-

STREETWISE | By James Mackintosh

Beware a Tectonic Shift in Tech Shares



Stock-market rotations sometimes work out well for investors, but the historical echoes in the recent sell-off of highflying technology stocks are worrisome.

It is too early to be sure that the shift of the past few days out of the most fashionable tech stocks will continue, but if it does the wider market faces some big challenges.

The five biggest components of the S&P 500 at the end of February were all tech stocks: Apple Inc., Microsoft Corp., Amazon.com Inc., Facebook Inc. and Alphabet Inc. (formerly Google).

At their peak value two weeks ago, those five made up 15% of the S&P's

market value, more than the entire financial, health-care or industrial sectors.

Because of their size,

drops in their shares have a disproportionate effect on the wider market. The problem shows up in the difference between the ordinary S&P, in which each stock is given a weight based on its adjusted market value, with some adjustments, and the equal-weighted version.

The S&P is down 5.3%

since Facebook began to fall two weeks ago, while the equal-weight S&P has lost 4.2%.

This leads directly to the

rest of the market to make up for the losses among the fashionable stocks.

Many of the trendy tech companies command extremely high valuations, so even if their underlying business were to be won back by traditional companies, the lower multiple of profits investors assign to old-line stocks should mean a lower overall valuation for the market, and so a lower S&P.

That doesn't make it im-

possible, as part of Wednesday's market moves showed.

Reports that President Donald Trump wanted to hit Amazon pushed its shares down

4.4%, and that was great news for its competitors.

(Amazon is defined as a retailer by index compilers.) Most retail stocks rose. It was a zero-sum move, so while some investors lost out, others gained.

This creates a third prob-

lem: Companies such as Wal-

mart Inc. don't set investor pulses racing. The story of

companies like Amazon, Google or Facebook—or smaller companies such as

Tesla Inc. and Netflix Inc.—

setting out to disrupt busi-

nesses and conquer the

world with ambitious re-

search spending is exciting

Tech stocks have fallen back, but mostly have beaten the market.

Stock and index performance

200%

150%

100%

50%

0%

-50%

2016

17

18

March 18: 24.7%

Note: Real Estate split from Financials in 2016
Source: Thomson Reuters Datastream

and sucks in investor dollars. If that narrative disappears, perhaps the money won't go into stocks at all.

Put another way, the market has been led up by these tech stocks. If the narrative is changing, what will take their place? History is full of examples of sectors and story stocks coming in and out of fashion, but the really big sector rotations bode ill for the wider market.

The demise of the blue-chip Nifty Fifty in the early 1970s; the technology, media and telecom implosion in 2000; and the blowup of

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Flagging Feeling

Sentiment expressed about Vanguard on Twitter has been less favorable recently than opinions about rivals.

Average sentiment score*



*Recorded over a 20-day period, adjusted for volume of tweets sent. Higher scores reflect more positive sentiment.

Source: Social Market Analytics

FUNDS

Continued from the prior page
founder John C. Bogle. The full scope of the service issues at Vanguard isn't known.

Over the past year, sentiment expressed about Vanguard on Twitter has been less favorable than opinions about rival brokerage firms such as Charles Schwab Corp. and Fidelity Investments, according to Social Market Analytics, Inc., a company that uses information on social media to analyze how companies are perceived.

Issues flagged by Vanguard customers include incorrect cost-basis information—what investors paid for shares in a fund—shown on their accounts, and problems with required minimum distributions for retirees, incorrect account balances displayed online, long customer-service wait times and login troubles. Some of the problems identified by customers have the potential to trigger tax consequences for investors.

A company spokesman said “these are periodic systems issues unrelated to our growth.” He added that “Vanguard is increasingly focused on investing in the people and technology to serve our clients more effectively and efficiently, protecting investor assets, and enhance fund performance.”

Vanguard isn’t the only investing firm to experience technical problems of late. Earlier this year, it was one of several brokerage and mutual-fund firms that suffered outages and slowdowns as market turmoil sent individual investors scrambling to access their accounts.

“It’s kind of a shame that Mr. Bogle’s creation, which is extraordinary, has been somewhat sullied by their performance administratively,” said former Vanguard client Barry Bergsman.

The retired Los Angeles media and marketing executive said he experienced problems last year when he decided to move his Vanguard accounts to a more “hands-on” wealth management firm.

Mr. Bergsman said he instructed Vanguard to transfer some fund positions to a custodian that would complete the account transition and instead those positions were liquidated, leaving him with a “substantial” tax bill.

He said Vanguard didn’t quickly resolve the issue and he lost patience, ultimately paying the tax bill.

Some Vanguard clients who have 403(b) retirement plans have complained about administrative problems after Vanguard outsourced some of its record-keeping duties to the Newport Group in 2017. A spokeswoman for Newport Group declined to comment. A 403(b) plan is typically offered to teachers, clergy and some medical workers.

Chris Herbert, who manages four accounts at Vanguard, including his wife’s 403(b) retirement plan, noticed last year that the value of his wife’s 403(b) account appeared to be \$120,000 less than it was supposed to be. Four of the eight funds in the account were missing in both online and print statements.

Mr. Herbert, who is retired and lives in Tempe, Ariz., said he corresponded with customer-service representatives by phone and online for several weeks before the problem was resolved.

“I don’t want to leave Vanguard, but problems like these lead you to ask if this is going to continue to occur,” he said.

Earlier this week, a new technical problem surfaced at Vanguard that hadn’t occurred before: some customers who made new investments received emails erroneously informing them that there were insufficient funds in their relevant settlement accounts.

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BUSINESS & FINANCE

Home Reseller Seeks Funds

By ROLFE WINKLER

Open Door Labs Inc., which buys and resells houses, is in talks with investors to raise at least \$200 million at a roughly \$2 billion valuation, a deal that would help it purchase more homes and expand to new cities, according to people familiar with the company.

The target funding amount would bring the company’s total equity capital raised to over \$500 million since its founding in 2014. It also has raised more than \$1 billion of debt to help finance its purchases of homes, said a person familiar with the matter.

The new money is intended to help fund an expansion of its business in its six U.S. metro areas, where it needs additional equity to finance the purchase of more homes, and to enter new markets across the U.S., these people said.

Previous investors include **Access Industries**, **Felicitis Ventures**, **GGV Capital**, **Khosla Ventures**, **New Enterprise Associates** and **Norwest Venture Partners**.

The company, which does business as Opendoor, is the largest of a new class of com-

panies that offer cash to buy homes online, and then seek to resell them at a slightly higher price after making basic improvements. Smaller companies include OfferPad LLC and Knockaway Inc.

By growing quickly, Opendoor hopes to achieve economies of scale that will help it squeeze more profits out of each house flip, according to the people familiar with the company. It borrows about

\$2B
Valuation of Opendoor, which aims to raise at least \$200 million

90% of the purchase price of the home, a person familiar with the matter said.

The company makes more money the faster it can buy and sell homes. It now also makes money by offering title insurance services and helping to secure mortgages.

A key risk, these people say, is if the housing market cools, which is a growing concern as the Federal Reserve lifts bor-

rowing costs. In that situation, Opendoor might be stuck holding more homes on its balance sheet, potentially eating into the company’s equity if they decline substantially in value.

Opendoor executives have said they could spot a decline in the market earlier than others and decrease their offer prices to manage risk. They argue that they might also be able to raise their fee for buying a home, which today is about 7% to 8%, since the service they provide might be more valuable with fewer buyers in the market.

The company is on the cusp of moving into Charlotte, N.C., and San Antonio, these people said, with plans to reach a total of 20 metro areas by early next year, said one of these people.

Executive Chairman Keith Rabois said at a recent technology conference that Opendoor bought \$1 billion of real estate in 2017 and plans to buy \$3 billion to \$4 billion this year.

Under Armour App Hacked

By SARA GERMANO AND MARIA ARMENTAL

Under Armour Inc. said someone improperly accessed data from one of its fitness-tracking apps in late February, affecting some 150 million users on its MyFitnessPal platform.

User data such as emails, usernames and passwords were exposed, but government-issued identifiers like Social Security and driver’s license numbers, as well as credit-card information, weren’t compromised, the athletic-wear company said. Under Armour said it has enlisted data-security firms and law enforcement to investigate the scope of the breach.

Under Armour urged users of the MyFitnessPal app, which tracks workouts and nutrition plans, to change their passwords immediately.

The company’s investigation hasn’t found evidence that unauthorized people have used the exposed usernames or passwords to access the MyFitnessPal accounts, a person familiar with the matter said.

SAFETY

Continued from the prior page
have been recruited,” he said.

Bangladeshi authorities have “got their hands pretty full,” said Jennifer Bair, associate professor of sociology at the University of Virginia, who has researched the Bangladeshi apparel industry. “It’s going to be a really tall order to both complete the remediation of the existing factories and also assume responsibilities that are currently under the jurisdiction of the Accord and Alliance.”

Since the garment industry took off in Bangladesh in the 1980s, it has been plagued by industrial disasters, including the Tazreen fire of 2012, which killed more than 100 people after managers prevented workers from leaving their stations when a fire alarm sounded.

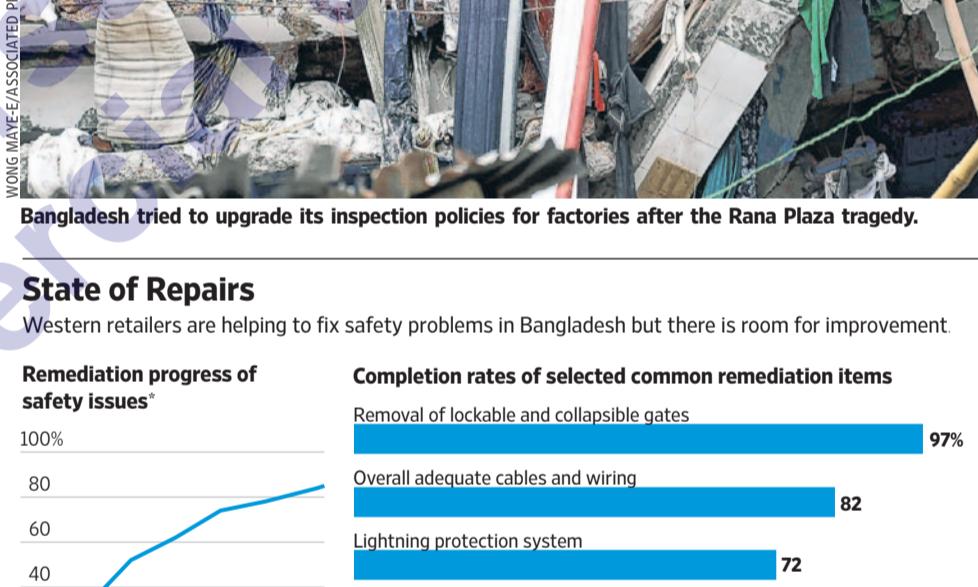
Industry analysts say garment factories have become less dangerous since 2013, though the Bangladeshi government doesn’t compile comprehensive statistics on factory injuries and deaths. Still, deadly incidents continue, including a boiler explosion at a garment factory last year that killed 10 workers and injured dozens more.

Under the Accord and Alliance, factories that don’t invest in safety improvements are blacklisted from selling to major Western retailers, a move designed to protect the roughly 3 million Bangladeshis making garments for the brands.

Western retailers have continued these efforts also because their biggest investors want to ensure that factory improvements made after the Rana Plaza collapse are maintained to lower the reputational risk of doing business in Bangladesh.

“You have to make sure that everything you have worked so hard for doesn’t fall flat the moment you leave,” said Anna-Sterre Nette, senior vice president of global sustainability at Gap, a member of the Alliance.

Walmart, a founding member of the Alliance, said its goal was to transition to a “locally run safety-monitoring organization” that will maintain

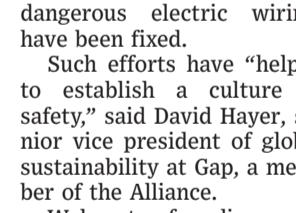


Bangladesh tried to upgrade its inspection policies for factories after the Rana Plaza tragedy.

State of Repairs

Western retailers are helping to fix safety problems in Bangladesh but there is room for improvement.

Remediation progress of safety issues*



BUSINESS NEWS

Shell Makes Power Play in Electricity

Its recent deals are part of a long-term strategy for its huge natural-gas output

BY SARAH KENT

LONDON—Royal Dutch Shell PLC is on a spree of small but strategic acquisitions in an area oil companies have long avoided: the power sector.

In the past few months, the British-Dutch oil giant bought a utility, an electric-car charging business and a stake in a solar-power company, part of a broader long-term plan to marry its huge natural-gas output with a futuristic utility business.

Shell is making a bet it can profit from changes to the power market as renewables begin to play a bigger role, combining its large energy-trading division and massive natural-gas supply—the world's largest from a non-state-backed company—to fill gaps when the sun doesn't shine or wind doesn't blow. Eventually, Shell said it could even compete with tech companies, crunching data about how and when customers use electricity to give them a better deal.

If all goes according to plan over several decades, Shell said it would produce gas at the well, use it to produce electricity and then sell power to homes, businesses and electric-vehicle charging stations—a similar model to its oil-rig-to-gas-station petroleum business.

It "makes us future-proof in a world where electricity becomes the biggest game in town," said Maarten Wetselaar, Shell's head of gas and new energies, in a recent interview.

Shell last month bought a midsize U.K. power supplier, First Utility, for an undisclosed amount, giving it direct



SEONGJOOON CHOBLOOMBERG NEWS

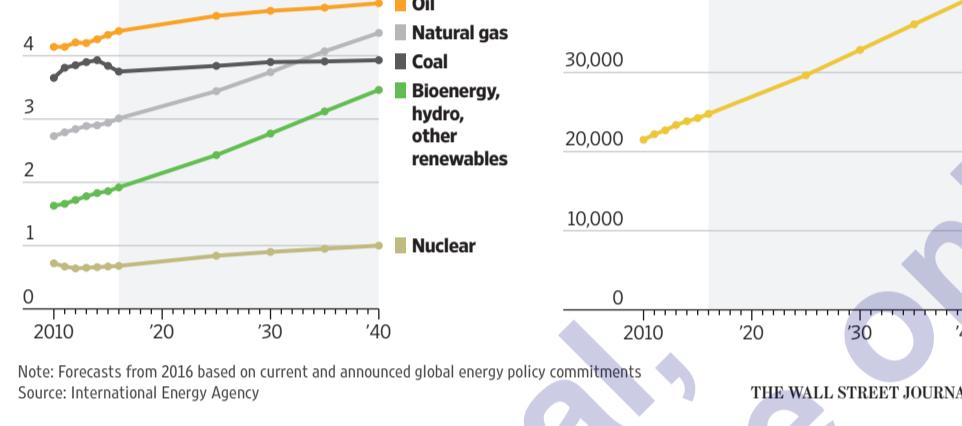
Big oil companies like Shell are anticipating shifts in energy consumption as many governments try to reduce fossil-fuel consumption.

Powering Up

Big oil companies are eyeing the power sector, anticipating a sharp increase in electricity demand and a growing market for their natural-gas production.

Primary energy demand

Millions of metric tons of oil equivalent



which grew with the company's roughly \$50 billion acquisition of BG Group in 2016.

They also show how Shell and other large oil companies are anticipating shifts in energy consumption, as many governments try to reduce fossil-fuel consumption under the

2015 United Nations Paris agreement to fight climate change. Whether oil demand will level off in the coming decades is up for debate, while electricity consumption is widely expected to increase.

By 2050, power consumption is expected to outstrip de-

mand for Shell's core business of oil and gas, said Mr. Wetselaar. The company's most recent of several potential scenarios, published Monday, foresees a world in which demand for oil and gas peaks in the next 50 years, driven by successful efforts to meet

global climate goals. Reliance on electricity, by contrast, is expected to grow from around 20% of energy consumption to closer to 50% by midcentury.

"To be an energy major by then, we'd better play in that sector," Mr. Wetselaar said of electricity.

Exxon Fails to Stop Climate Inquiries

A federal judge has thrown out a lawsuit that Exxon Mobil Corp. had filed to stop government investigations into its assertions about climate change.

Manhattan U.S. District Judge Valerie Caproni on Thursday dismissed the case with prejudice, meaning the complaint cannot be refiled.

"Exxon's allegations that the [state attorneys general] are pursuing bad faith investigations in order to violate Exxon's constitutional rights are implausible and therefore must be dismissed for failure to state a claim," she wrote.

In 2015, New York Attorney General Eric Schneiderman subpoenaed Exxon Mobil, seeking documents about its research on and response to climate change over several decades. About six months later, Massachusetts Attorney General Maura Healey filed a similar demand.

Exxon, in a civil complaint initially filed in Texas, had asked federal courts to stop the New York and Massachusetts attorneys general from investigating whether the oil giant misled investors and the public by playing down the impact of global warming, saying the investigations were politically motivated.

A company representative couldn't be reached for comment Thursday after regular business hours.

—Maria Armental

THE WALL STREET JOURNAL.

Hostile Bid for U.K.'s GKN Prevails

BY ROBERT WALL

LONDON—British turn-around specialist Melrose Industries PLC on Thursday won a bruising takeover battle for GKN PLC, thwarting a \$6.1 billion bid by Ohio-based auto-parts maker Dana Inc. to combine with its U.K. rival.

GKN, one of Britain's oldest businesses, in January rejected an unsolicited £7.4 billion (\$10.5 billion) takeover offer from Melrose, saying it undervalued the company, which makes components for General Motors Co., Boeing Co. and Airbus SE. Melrose took its cash-and-stock proposal to GKN shareholders, winning backers such as Elliott Management Corp., which thought the business would fare better under Melrose management.

While GKN was fending off Melrose, it unveiled a restructuring plan and an agreement to sell its car-parts business to Dana. That cash-and-stock deal, announced this month, would have created the world's largest supplier of axles and other driveline components.

On Thursday, which was a deadline under British takeover rules, Melrose said 52.43% of GKN shareholders had accepted its offer of £1.4 billion in cash and 1.69 of its own shares for each GKN share. To appease



CHRIS RATCLIFFE/BLOOMBERG NEWS

The supplier of plane parts is being bought by Melrose Industries.

unlikely private equity.

GKN, in acknowledging defeat, said it would work with Melrose "to ensure the success of the enlarged company."

With its offer, Dana planned to re-establish itself in the U.K. even though its physical headquarters would remain outside Toledo. It said it expected to lower its tax bill by becoming a U.K. company.

The company promised to seek a U.K. listing for the merged company to help win support from British institu-

tional investors. It also boosted the cash portion of the transaction this week to win over GKN shareholders.

"We are, of course, disappointed by today's outcome," Dana Chief Executive James Kamsickas said. The proposed deal with GKN was an opportunity, he said, "not a required or critical asset."

The outcome is also a setback for European plane maker Airbus, which had questioned Melrose management's willingness to invest—a charge Melrose rejected. Airbus declined to comment Thursday.

GKN, which is based in Redditch, England, has maintained its status as a giant of British industry through a series of reinventions and changes in focus. At one time or another, the company once known as Guest, Keen and Nettlefolds has made products as diverse as cannonballs, skillets, troop carriers and scaffolding. More recently, it has invested heavily in making plane parts, capitalizing on a boom in demand for commercial airliners.

GKN shares slumped last year after the company issued profit warnings and said its CEO-designate, Kevin Cummings, was leaving amid problems in the aerospace division, which he ran. The stock rose 9.5% on Thursday.

Baidu's Video-Streaming Unit Falls in Market Debut

BY AUSTEN HUFFORD

iQiyi was the most heavily traded stock on Nasdaq.

The Netflix-like unit of Chinese search-engine giant Baidu Inc. closed nearly 14% below its offering price in its stock market debut.

The American depositary shares of video streamer iQiyi Inc. opened trading Thursday at \$18.20, slightly above the \$18 offering price. The initial public offering, which sold 125 million shares and raised \$2.25 billion, priced at the midpoint of its \$17-to-\$19 marketed range.

iQiyi shares, trading on the Nasdaq Global Market under the ticker IQ, closed at \$15.55.

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Onion Staff to Unionize in Face of Cuts

BY LUKAS I. ALPERT

For the folks at the Onion, labor relations are no laughing matter.

Editorial and video staffers at the humor website and its sister sites, Clickhole and A/V Club, have announced that they are unionizing, at a time when controlling shareholder Univision Communications Inc. is exploring extensive cost cuts at its digital properties.

In a statement, employees of the three Chicago-based sites said they are organizing with the Writers Guild of America, East. The collective bargaining unit will represent about 100 people across the three sites.

The organizing effort began in earnest late last year but

accelerated in recent weeks as Univision pulled plans for an initial public offering and The Wall Street Journal reported that a business review was under way to cut costs across the company, including significant layoffs.

Organizers said they were mainly focused on establishing greater transparency in decision-making at the websites and better communication between staffers and management.

"Most people are satisfied working here, but we are seeking to set in stone the things we like and preserve what we have," said Onion staff writer Devin Schiff, who served on the organizing committee. "The digital world is a precarious place and it is good to

have protections."

A spokesman for **Onion Inc.** said the company was ready to begin negotiations with the union.

"We are dedicated to providing an environment where all our employees can thrive and we respect their right to unionize. We have begun having discussions with the WGAE about the path forward and hope to arrive at an arrangement in short order," the spokesman said.

Univision acquired a 40.5% stake in Onion Inc. in January 2016 for \$27.1 million, as the Spanish-language broadcaster sought to expand its holdings into English-language digital properties. The deal included rights to acquire the rest over time, for

as much as \$50 million.

Following the acquisition, the humor website became part of Univision's Fusion Media Group, which also includes the Root, Splinter and former Gawker Media properties like Gizmodo, Jezebel, and Deadspin. The Onion properties are the only Fusion Media Group sites that haven't already been unionized.

Univision, which is saddled with billions in debt since private-equity firms took it private in 2007, has hired outside consultants to review its business operations. The firm's initial recommendations proposed cutting Fusion Media's budget by as much as a 35%, the Journal reported, though final amounts will be settled over the coming months.

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PERSONAL TECHNOLOGY | By Katherine Bindley

Find Out What Facebook Knows



Social-media users have long known that Facebook knows a lot about them.

In the wake of the Cambridge Analytica scandal, people are starting to ask, specifically, how much personal information are we talking about here?

Facebook is taking steps to curb the amount of data that is shared about us: It is rolling out new tools for better controlling your privacy settings in the coming weeks and it is ending certain ad-targeting options that have been available to third-party data brokers. While waiting for these changes to take effect, there is something you can do to get some answers: Download your Facebook data.

You can request a folder of the things you have uploaded to or shared on Facebook from all your sessions on various devices—plus other curious information—to save on your computer. You'll find the option on the general account settings page. Once you unzip the folder, open the "index.htm" file in a browser, and start looking around.

Right now, you'll see every Facebook friend and all your videos, pictures, events, liked pages, private messages and timeline posts. Soon, Facebook will have an improved download tool, and include more information such as posts you've liked, your reactions and comments, even your search and location history.

What isn't in this single download is a lot of the behind-the-scenes data that



You can get a folder of your personal data from the social-media firm.

Facebook may use to increase engagement and target ads. For instance, it doesn't list people who might have uploaded your phone number or other information when syncing their contacts with Facebook. It doesn't say what ads third-party data providers have targeted at you.

That doesn't mean there aren't some interesting things in this download. You may have already heard of users downloading their accounts and coming upon alarming information.

One of the more shocking things some users discovered in their files was a list of phone calls and text messages. The furor prompted Facebook to post an explanation: Calls and texts were logged as part of an opt-in contact-syncing "feature" available to Android users who have Facebook's standalone Messenger app or the Facebook Lite app.

Contact uploading is "a way to more easily find the

people you want to connect with," says Facebook, which insisted it was always opting in: "People have to expressly agree to use this feature." Call and text logging was only part of contact syncing on Android. On Apple's iPhones, Facebook never had access to log calls, yet still offered contact syncing.

You can turn off the feature, and the data will be deleted if you do, says Facebook. (Go to Messenger, click on your profile picture, then click People. Look for the Synced Contacts button.)

In your downloaded file, there is a list of companies that Facebook says have your contact info. (In your file, click on Ads.)

Your list could be long, and you may be confused by some of the brands that appear. My own included 11 companies. Some, like Uber, weren't a surprise. I've never signed onto Uber with Facebook, but I do have the app.

ILLUSTRATION: DADO RUVIC/REUTERS

Facebook's website explains: "When you share information like your phone number or email address with a business, they may add it to a customer list that can be matched to your Facebook profile."

One mystery company on my list: a fitness app called Aaptiv. While I'm certainly in the target market, I've never downloaded its app or clicked on its ads.

The company told me it doesn't have my contact information, but that it may have used an outside data broker to target me. Yet the mystery persists, since Facebook's list purports to show only companies in possession of my information.

Another section of your download names the apps you log into with Facebook. It is not a complete history.

If you are planning on deleting your Facebook account, make a note of all the apps you have linked to—because they all obtained some of your personal data from Facebook. Facebook says developers might keep information about you even after you removed them.

Last but not least, click Security to check your list of Active Sessions (machines currently logged into your Facebook account) and Account Activity. This is a lengthy log of all of the "sessions" you've had on Facebook, and their associated times, devices and Internet Protocol addresses. While the list doesn't name actual locations, every IP address correlates to some geographical location. Facebook even says it uses IP addresses to target ads to you, even if you don't let the app itself track you via GPS.

Settlement Is Reached In Fatal Uber Crash

BY ALLISON PRANG

A law firm hired by the family of an Arizona woman who died after being struck by a self-driving Uber Technologies Inc. vehicle said Thursday the issue "has been resolved."

The Uber vehicle, which was in self-driving mode but had a human operator behind the wheel, hit 49-year-old Elaine Herzberg while she was walking her bike outside of a crosswalk March 18, Tempe police said. She ultimately died from her injuries.

Terms of the settlement weren't available.

"The daughter and the husband of the late Ms. Herzberg have no further comments on this matter as it has been resolved," Cristina Perez Hesano, an attorney for Glendale, Ariz.-based Bellah Perez PLLC, said in an email to The Wall Street Journal.

Uber declined to comment.

In the wake of the first known fatality involving a self-driving vehicle, Uber has suspended its autonomous car program in the four cities where it was testing it.

The San Francisco-based company also decided not to renew its permit to test those kinds of vehicles in California.

Additionally, an Uber executive who worked on technology for autonomous vehicles, Lior Ron, is leaving the company.

About a year ago, shortly after a self-driving Uber vehicle was involved in a crash in Tempe, law firm Bellah Perez wrote on its website the concept of negligence will have to evolve as autonomous vehicles become more prevalent on roadways.

"As personal injury attorneys, we at Bellah Perez want to ensure any victims of negligence out on the road receive justice for their suffering," the post said.

In the March 2017 accident, Tempe police said the accident wasn't the Uber vehicle's fault and that there were also no major injuries.

—Cara Lombardo contributed to this article



The recall to retrofit the power steering component adds to challenges Elon Musk is dealing with.

ANGEL NAVARRETE/BLOOMBERG NEWS

TESLA

Continued from page B1
cash and undermine Tesla's bid to build electric cars for the masses.

The downgrade, along with news this week that federal investigators were probing a fatal crash of a Tesla car, have led to a heavy selloff of the company's shares and bonds, making it potentially more difficult to raise capital.

On Thursday, Tesla's stock rose 3.2%, to \$266.13, during the regular trading session, and fell slightly in after-hours trading following the recall news.

It has been a rough month for the stock, which has fallen about 20% over the 30-day period.

Tesla is expected to reveal

first-quarter production results early next week.

The recall on Thursday involves only the Model S. Tesla said its service center in Montreal began noticing the issue in the sedans and attributed the corrosion to the calcium or magnesium salts used to treat roadways during the winter months. If the bolts fail, the car can still be steered but requires additional force.

"This primarily makes the car harder to drive at low speeds and for parallel parking, but does not materially affect control at high speed, where only small steering wheel force is needed," the company said.

The cost of the recall is expected to be minimal, Tesla said, with the supplier paying for the new part.

Japanese Car Makers Join Hands in India

TOKYO—Toyota Motor Corp. and Suzuki Motor Corp. said they would team up in India, swapping models to capture a bigger share of the rapidly growing market.

Toyota said it would provide its locally made Corolla sedan to Suzuki. In return, Toyota will get two of Suzuki's popular models to sell, the Baleno hatchback and the new Vitara Brezza sport-utility vehicle.

The deal helps fill holes in

their lineups in India.

Suzuki has largely failed to move upmarket with pricier cars. The Corolla is considered a high-end vehicle in a country dominated by small, fuel-sipping models. Conversely, Toyota has had trouble making headway in the country's mass market for autos.

Toyota's share of overall sales hovers around 5%, while Suzuki's local unit, Maruti Suzuki India Ltd., has 47% of India's passenger-car market.

The deal is one of the first fruits of a business partnership that Toyota and Suzuki began exploring in late 2016.

—Sean McLain

—Cara Lombardo contributed to this article

BUSINESS NEWS

Angolan Elite Suspected of Fraud

A son of ex-president and others are linked to an alleged illegal transfer of \$500 million

One of a former Angolan president's sons and a former central banker are suspected of using accounts at **HSBC Holdings PLC** and **Standard Chartered PLC** in an attempt

*By Margot Patrick,
Patricia Kowsmann
and Gabriele
Steinhauser*

to defraud the country's central bank by transferring \$500 million through the U.K.-based lenders, people familiar with the matter said.

The prosecutor's office in Angola said the money was transferred from Angola's central bank, allegedly to guarantee a \$30 billion financing deal, according to a statement posted on the government website Wednesday.

According to one of the people familiar with the matter, a document showed the \$500 million went to a Credit Suisse account, but that document was forged. Instead, the money turned up at an account at HSBC, where it was flagged to authorities and frozen, said the people familiar with the matter.

Earlier this week, Angolan prosecutors named as suspects in the allegedly illegal transfer from the central bank, José Filomeno dos Santos, the son of former President José Eduardo dos Santos, and four others, including the former Angolan central bank governor, Valter Filipe da Silva, according to the government statement.

Mr. da Silva couldn't be reached for comment, but has previously denied wrongdoing. Representatives of Angola's central bank couldn't be reached for comment. José Filomeno dos Santos couldn't be reached for comment.

In a statement read during



Prosecutors said \$500 million was transferred from Angola's central bank in Luanda allegedly to guarantee a \$30 billion deal.

an Angola news-channel broadcast on Tuesday, José Filomeno dos Santos, who until January ran the country's sovereign-wealth fund, said he voluntarily reached out to the prosecutor's office in late February "to collaborate in finding the truth." He confirmed that he has been named on March 6 as a suspect in the case. "Mr. dos Santos remains available to continue to cooperate with authorities to completely and satisfactorily resolve this process," said the statement that the news presenter read.

The documents that indicated the \$500 million went to a Credit Suisse account are now being investigated by the Angolan central bank, according to one of the people familiar with the matter.

In a statement, Credit Suisse said it "has no record of the alleged fraud, which involved falsified documentation, and has not received any

funds in relation to it." The company also said it "has provided available information to relevant law enforcement agencies."

Standard Chartered said Wednesday the funds used in the alleged attempted fraud came from the Angolan central bank's Standard Chartered account. It said it is working closely with the central bank and U.K. law enforcement.

The U.K.'s National Crime Agency said this week it is investigating the "potential \$500 million fraud" and that it froze the entire sum in December. It said it is preparing to return the money to Angola, while it continues its investigation in cooperation with authorities there.

Both HSBC and Standard Chartered have previously been sanctioned by authorities in the U.S. and elsewhere over lax money-laundering controls, but in recent years have

strengthened their ability to detect such crimes, a necessity to avoid the possibility of losing a banking license. The U.K. also has strengthened its financial crime-fighting powers and was able to freeze the Angolan money because of new laws that came in last year.

The prosecutor's naming of José Filomeno dos Santos as a suspect comes at a time when Angola's new president, João Lourenço is escalating a purge of family members and allies of his predecessor from government posts.

José Filomeno dos Santos was named as chairman of Angola's sovereign-wealth fund by his father in 2013 to oversee the investment of \$5 billion on behalf of the country. Mr. Lourenço replaced the fund's entire board in January.

José Eduardo dos Santos, who remains the leader of Mr. Lourenço's ruling MPLA party, stepped down in September af-

ter 38 years at the helm of the southern African country.

After ending three decades of civil war in 2002, José Eduardo dos Santos oversaw an oil boom that turned Angola into the continent's second-largest crude producer, behind Nigeria. Yet his tenure was marred by allegations of nepotism and widespread looting of public coffers while the majority of Angola's 30 million citizens continued to live in poverty. Mr. dos Santos and his appointees have denied the allegations.

In November, Mr. Lourenço dismissed Isabel dos Santos, one of the former president's daughters and Africa's richest woman, according to Forbes magazine, as the head of the state oil company, Sonangol. Angolan authorities have said they are investigating Ms. dos Santos in connection with missing funds from Sonangol. She has denied the allegations.

China Trial Shows Hazy Regulating

SHANGHAI—When Chinese insurance magnate Wu Xiaohui appeared in court this week to face fraud charges, his case spotlighted how the country's financial sector is built on shifting legal foundations.

During Wednesday's trial in Shanghai, Mr. Wu, the former chairman of **Anbang Insurance Group Co.**, expressed remorse and asked for leniency after prosecutors accused him of falsifying documents to raise billions of dollars and lining his own pockets along the way.

The tycoon's response: "I don't understand law."

Mr. Wu's comment, contained in an official court summary, resonated in China among those who see pitfalls in a rapidly evolving financial sector where rule making and justice often appear haphazard. "Regulations in China can be fairly random and simply serve as a tool in some cases," said Sean Xu, an attorney at Shanghai Highper Law Firm.

Mr. Wu remains in custody and his lawyers didn't respond to questions. The Shanghai No. 1 Intermediate People's Court didn't say when a verdict might be handed down.

Mr. Wu has epitomized Chinese financial trends in recent years. Today, a dizzying array of cash-management choices are available, including by mobile phone, though who is policing it isn't always clear.

On the same day last month that prosecutors charged Mr. Wu, the government seized control of Anbang, citing a need to protect the firm's customers.

By late 2016, Mr. Wu and other upstart financiers were being derided by regulators as financial "crocodiles" for their ability to navigate murky legal waters, taking advantage of loopholes. This month, China's legislature agreed to plug holes now blamed for allowing firms like Anbang to expand virtually unchecked. —James T. Areddy and Stella Yifan Xie

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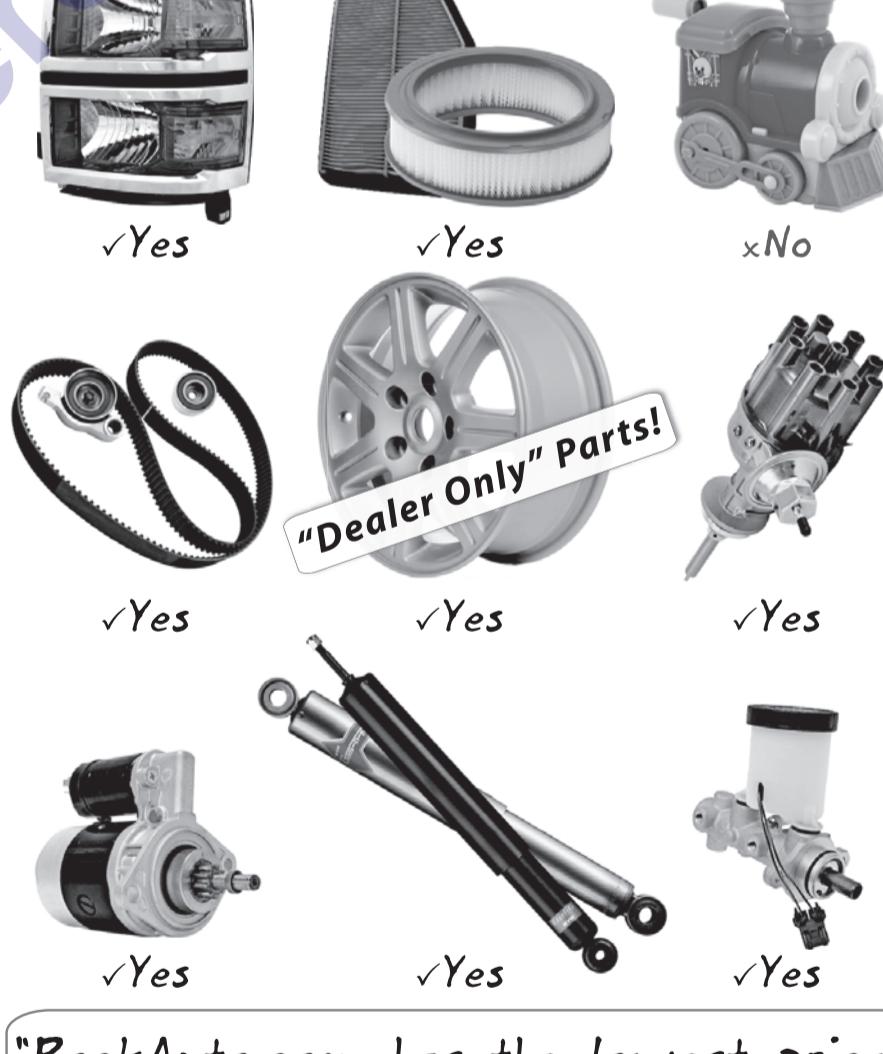
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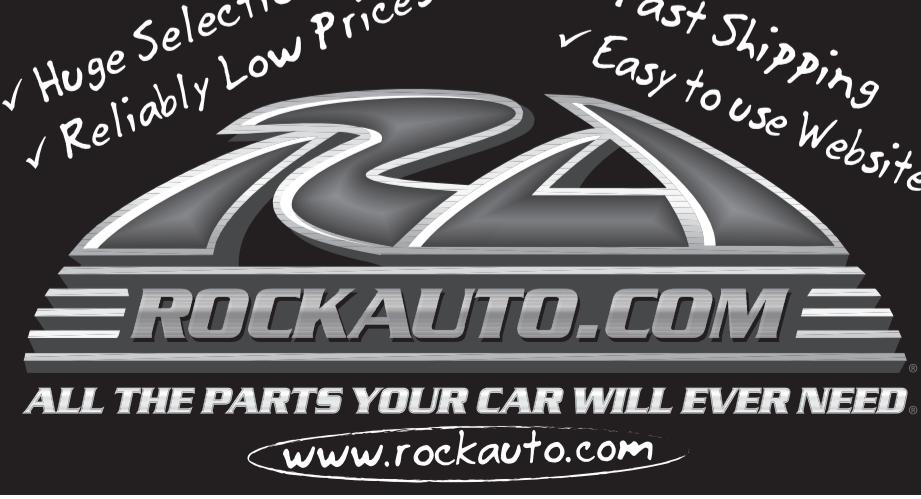
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BUSINESS NEWS

Chinese Tycoon Acknowledges Failure

Sun Hongbin says he would be a 'moron' to put more money into video-streaming firm

BY DOMINIQUE FONG

BEIJING—Property tycoon Sun Hongbin has played the white knight for troubled companies. Now he is giving up on one, saying that he wasn't able to restore a debt-plagued video-streaming venture.

Mr. Sun, chairman of developer **Sunac China Holdings** Ltd., said his company's investment of 15 billion yuan, or \$2.4 billion, in **LeEco Internet Information & Technology** Corp. was a "failure."

"For Leshi, how could I now give more money?" Mr. Sun said Thursday at a press conference for Sunac's annual results in Hong Kong. "Lend them another 10 billion [yuan]? Am I a moron?"

Mr. Sun's blunt acknowledgment contrasted with his earlier efforts to rescue Leshi, part of heavily indebted **LeEco Holdings**, a company founded by entrepreneur Jia Yueting.



Mr. Sun's property firm, Sunac China Holdings, invested \$2.4 billion in a unit of LeEco Holdings.

structure Leshi.

Two weeks ago, Mr. Sun stepped down as Leshi's chairman.

Sunac's full-year results showed that Leshi was a drag on earnings. The developer said losses related to its investment in the tech company prompted a write-down of 16.5 billion yuan (\$2.62 billion), according to regulatory filings.

Representatives for Leshi couldn't be reached for comment.

Investors reacted to Mr. Sun's comments Thursday by sending Leshi's already battered shares falling more than 6%.

However, thanks to last year's booming housing market, Sunac reported a net profit of 11 billion yuan—more than four times that of the year before—and revenue of 66 billion yuan, mostly from residential and commercial real-estate sales. Sunac's Hong Kong-listed shares rose 1.3%.

The developer said it was "still optimistic" about other big- and small-screen operations in which it has invested, predicting growth at two other LeEco divisions, television

maker New Leshi Zhijia and film studio Le Vision Pictures, to help offset losses.

The Leshi deal wasn't the first time Mr. Sun has attempted to come to the rescue of fellow tycoons. Three years ago, Sunac made a bid to acquire rival Kaisa Group Holdings Ltd. after it defaulted on loans and bond payments, but the deal didn't go through.

In July 2017, Sunac, which itself is among China's most indebted developers, scooped up theme-park and other tourism projects of property conglomerate Dalian Wanda Group—controlled by billionaire Wang Jianlin—after the group's borrowings came under the scrutiny of Chinese regulators.

After the Leshi and Wanda deals, Sunac's own debt load began to draw attention for possible risks. The deal with Leshi, in particular, piled on new and—for Sunac investors—unanticipated risks.

"I don't care what people say about this [failure]," Mr. Sun said Thursday. "Please do not mention Leshi in the future."

—Yang Jie contributed to this article

LVMH Pays High Price on Los Angeles's Rodeo Drive

BY ESTHER FUNG

A unit of **LVMH Moët Hennessy Louis Vuitton SE** paid \$110 million for a store on Los Angeles's ritzy Rodeo Drive, in a sign that values of property in the country's most fashionable shopping districts haven't succumbed to the malaise hitting retail real estate.

The seller of the empty, 6,200-square-foot, single-story building at 456 N. Rodeo Drive was **Sterling Organization**, a real-estate private-equity firm based in Palm Beach, Fla. Sterling had purchased the property recently for \$55 million, said President and Chief Executive Brian Kosoy.

LVMH, which has a portfo-

lio of upscale brands including Louis Vuitton and Loewe, owns two other stores on Rodeo Drive, where lavishly decorated stores cater to a clientele of big spenders.

The Paris-based company didn't respond to a request for comment.

The deal, which amounts to about \$17,750 a square foot, is a sign that investors are still willing to pay top dollar for real estate along tony strips—known as "high streets" in the retail world—despite turmoil in the retail industry from online shopping. The values of many other types of retail property have been falling as brick-and-mortar stores contract or fail.

In the 12 months to February, the property values of malls and strip centers fell 11% and 6%, respectively, according to real-estate research firm Green Street Advisors' Commercial Property Price Index.

Retail rents on Rodeo Drive in 2017 were \$875 a square foot a year, the second highest in the U.S. after upper Fifth Avenue in New York, according to a November report by real-estate services firm Cushman & Wakefield. Rodeo Drive rents in 2016 were \$800 a square foot.

Upper Fifth Avenue rents stayed constant at \$3,000 a square foot in 2016 and 2017, the report said.

"Most retailers are not turning their backs on high street locations," the report said.

This week, Brookfield Property Partners LP reached a deal with GGP Inc. to buy the remaining stake of the mall company that it doesn't already own, for a lower-than-expected price. The deal sent shock waves through the retail world because GGP owns some of the most upscale malls in the country.

But, so far, some high streets have avoided major damage. Demand for these locations remains healthy from the world's top retailers for branding purposes, even if they don't generate high sales.



The building at 456 N. Rodeo Drive sold for \$110 million.

THE WALL STREET JOURNAL.

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MAYE MUSK

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24103.11 ▲ 254.69, or 1.07%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.46 21.15
 P/E estimate ^{*} 16.24 17.72
 Dividend yield 2.22 2.35
 All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open

Dec. Jan. Feb. Mar.

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2640.87 ▲ 35.87, or 1.38%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.51 24.52
 P/E estimate ^{*} 16.85 18.27
 Dividend yield 1.95 1.97
 All-time high 2872.87, 01/26/18



Dec. Jan. Feb. Mar.

Nasdaq Composite Index

7063.44 ▲ 114.22, or 1.64%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio ^{*} 25.21 25.97
 P/E estimate ^{*} 19.97 20.34
 Dividend yield 1.04 1.12
 All-time high: 7588.32, 03/12/18



Dec. Jan. Feb. Mar.

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week			YTD % chg	3-yr. ann.
						High	Low	% chg		
Dow Jones										
Industrial Average	24314.30	23928.13	24103.11	254.69	1.07	26616.71	20404.49	16.3	-2.5	10.8
Transportation Avg	10480.51	10223.88	10396.56	208.37	2.05	11373.38	8783.74	13.6	-2.0	6.1
Utility Average	695.62	690.23	692.63	4.00	0.58	774.47	647.90	-0.4	-4.2	6.1
Total Stock Market	27565.28	27077.18	27383.00	363.98	1.35	29630.47	24125.20	11.6	-1.0	8.2
Barron's 400	716.33	705.26	711.59	9.93	1.42	757.37	610.89	13.3	0.1	8.1
Nasdaq Stock Market										
Nasdaq Composite	7120.46	6935.78	7063.44	114.22	1.64	7588.32	5805.15	19.4	2.3	13.0
Nasdaq 100	6640.76	6435.67	6581.13	120.32	1.86	7131.12	5353.59	21.0	2.9	14.9
S&P										
500 Index	2659.07	2609.72	2640.87	35.87	1.38	2872.87	2328.95	11.5	-1.2	8.6
MidCap 400	1888.61	1860.47	1878.77	24.99	1.35	1995.23	1681.04	9.3	-1.1	7.6
SmallCap 600	945.00	933.28	938.46	9.16	0.99	979.57	815.62	11.4	0.2	9.5
Other Indexes										
Russell 2000	1540.02	1513.31	1529.43	16.40	1.08	1610.71	1345.24	10.6	-0.4	7.2
NYSE Composite	12512.00	12356.08	12452.06	143.16	1.16	13637.02	11324.53	8.1	-2.8	4.6
Value Line	549.44	540.16	546.67	6.51	1.21	589.69	503.24	5.2	-2.8	2.5
NYSE Arca Biotech	4554.30	4466.14	4504.23	6.67	0.15	4939.86	3449.61	26.6	6.7	3.8
NYSE Arca Pharma	531.34	525.82	528.95	2.01	0.38	593.12	498.46	3.6	-2.9	-2.7
KWB Bank	107.22	105.04	106.50	1.37	1.30	116.52	88.02	14.5	-0.2	14.3
PHLX [§] Gold/Silver	81.21	79.70	81.12	1.48	1.85	93.26	76.42	-2.6	-4.9	6.2
PHLX [§] Oil Service	136.36	132.87	135.69	3.34	2.53	171.55	117.79	-19.6	-9.3	-10.6
PHLX [§] Semiconductor	1340.66	1300.08	1328.90	29.08	2.24	1445.90	960.01	31.3	6.1	24.2
Cboe Volatility	23.05	19.60	19.97	-2.90	-12.68	37.32	9.14	73.1	80.9	9.8

\$ 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	19,859.1	262.61	-0.54	-0.21	264.28	259.84	
General Electric	GE	6,075.0	13.50	0.02	0.15	13.50	13.45	
PwrShrs QQQ Tr Series 1	QQQ	5,415.3	159.77	-0.36	-0.22	160.50	158.26	
Micron Technology	MU	4,436.6	52.10	-0.04	-0.08	52.15	51.84	
iShares MSCI Emg Markets	EEM	4,092.3	48.41	0.1300	0.27	48.41	48.07	
Intel	INTC	3,745.6	51.81	-0.27	-0.52	52.16	50.80	
Cisco Systems	CSCO	3,582.6	42.89	...	unch.	42.92	42.19	
Van Eck Vectors Gold Miner	GDX	3,536.5	21.98	...	unch.	21.98	21.87	

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	% chg	High	Low
Senseonics Holdings	SENS	108.0	3.41	0.41	13.67	3.70	3.03
Quorum Health	QHC	285.4	8.78	0.60	7.30	8.78	8.07
UnitedHealth Group	UNH	445.2	218.61	4.61	2.15	220.87	213.99
VS 2x VIX Short Term	TVIX	1,063.1	9.59	0.17	1.80	9.74	9.42
CBL Associa Properties	CBL	134.7	4.24	0.07	1.68	4.24	4.17
SYNNEX	SNX	79.8	106.15	-12.25	-10.35	121.00	106.00
Tesla	TSLA	89.1	256.50	-9.63	-3.62	266.26	256.10
Chegg Inc.	CHGG	199.2	20.00	-0.6			

COMMODITIES

WSJ.com/commodities

Futures Contracts

		Contract						Open interest		
		Open	High	hilo	Low	Settle	Chg			
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	3.0190	0.0250	2,788						
April	2.9900	3.0360	2.9900	3.0255	150,123					
May	3.0100	3.0490	2.9945	3.0255	150,123					
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1321.70	1327.10	1322.80	-1.40	6,397				
April	1323.60	1327.10	1322.80	1320.50	230.50	228.25	-21.20	14.23	4,231	
June	1329.30	1332.60	1325.40	1327.30	2.70	380,815		14.23	-0.06	3,343
Aug	1334.60	1338.50	1331.60	1333.30	2.80	52,927				
Oct	1343.30	1343.30	1338.40	1339.30	-2.70	7,314				
Dec	1349.70	1351.20	1344.60	1345.80	-2.80	47,067				
Dec'19	1384.30	1384.30	1384.10	1384.90	-2.90	3,451				
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	1321.70	1327.10	1322.80	-1.40	6,397				
June	964.00	968.15	954.40	943.80	-19.40	22,423				
Sept	960.50	960.50	933.00	938.65	-19.55	1,292				
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	1321.70	1327.10	1322.80	-1.40	6,397				
April	938.00	938.00	928.00	927.30	-7.40	599				
July	942.70	946.60	931.90	932.60	-8.20	73,282				
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	1321.70	1327.10	1322.80	-1.40	6,397				
April	16.250	16.250	16.210	16.223	0.018	361				
May	16.265	16.340	16.195	16.268	0.015	154,870				
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	1044.75	1050.75	1012.50	1044.75	26.75	341,978			
May	1019.50	1050.75	1012.50	1055.50	26.75	256,100				
Soybean Oil (CME)	-100 tons; \$ per ton.	125.50	125.50	125.50	125.50	9.00	5,459			
May	1371.80	386.20	367.80	384.00	12.70	188,568				
July	1373.70	388.00	370.20	386.30	12.60	125,306				
Soybean Oil (CME)	-60,000 bbls.; cents per lb.	125.50	125.50	125.50	125.50	9.00	5,459			
May	31.62	32.15	31.42	31.87	.25	231,378				
July	31.88	32.40	31.67	32.13	.25	126,158				
Rough Rice (CME)	-2,000 cwt.; \$ per cwt.	125.50	125.50	125.50	125.50	9.00	5,459			
May	1242.50	1247.00	1233.50	1235.50	-.90	5,637				
July	1261.50	1261.50	1252.00	1252.50	-.90	1,246				
Wheat (CBT)	-5,000 bushels; cents per bu.	145.50	145.50	145.50	145.50	221,933				
May	147.50	145.50	145.50	145.50	5.75	136,147				
Wheat (KCI)	-5,000 bushels; cents per bu.	147.50	145.50	145.50	145.50	221,933				
May	146.50	145.50	145.50	145.50	5.75	136,147				
Wheat (MPLS)	-5,000 bushels; cents per bu.	147.50	145.50	145.50	145.50	221,933				
May	158.29	152.00	157.50	157.50	-.11	32,185				
July	159.00	160.00	158.25	158.60	-.11	13,439				
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.	135.60	135.60	135.60	135.60	-.375	2,669			
March	136.050	136.175	135.500	135.600	-.375	2,669				
May	138.700	139.925	134.000	134.025	-4.475	20,487				
Cattle-Live (CME)	-40,000 lbs.; cents per lb.	112.750	112.750	112.750	112.750	-.250	40,416			
April	116.200	116.975	113.150	113.750	-.250	40,416				
June	105.750	106.925	102.575	102.575	-.300	159,567				
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.	57.250	57.250	56.900	57.250	.325	22,521			
April	57.050	57.500	56.900	57.250	.325	22,521				
June	76.400	76.750	75.475	76.550	-.075	98,944				
Lumber (CME)	-110,000 bd. ft. \$ per 1,000 bd. ft.	510.90	517.10	510.90	515.70	8.60	5,358			
May	510.90	517.10	510.90	515.70	8.60	5,358				
July	499.50	506.00	499.40	505.40	9.40	875				

Cash Prices | WSJ.com/commodities

Thursday, March 29, 2018

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

		Thursday								
		(U.S.\$ equivalent)	16,2800	12044	12044	12044	12044	12044	12044	12044
Energy		Coin's;wholesale \$1,000 face-a	12044							
Other metals		LBMA Platinum Price PM	*939.0							
		Platinum,Engelhard Industrial	939.0							
		Platinum,Engelhard fabricated	1039.0							
		Palladium,Engelhard industrial	975.0							
		Palladium,Engelhard fabricated	1075.0							
Metals		Aluminum,LME, \$ per metric ton	*2009.0							
		Copper,Comex spot	3,0190							
		Iron Ore,62% Fe CFr China-s	63.1							
		Shredded Scrap, US Midwest-s,m	366							
		Steel,HRC USA,FOB Midwest Mill-s	870							
Fibers and Textiles		Burlap,10-oz,40-inch NY yd,n,w	0.6100							
		Cotton,11/16 std lw-mdMphs-u	0.8046							
		Cookoo 'A' Index	*91.30							
		Hides,hvy nntne steers piece fob-u	65.000							
		Wool,64s,staple,Terr del-u,w	n.a.							
Grains and Feeds		Barley,top-quality Mpls-u	n.a.							
		Bran,wheat middlings,KC-u	87							
		Corn,No.2 yellow,Cent IL-bp,u	3,2520							
		Corn gluten feed,Midwest-u,w	108.8							
		Corn gluten meal,Midwest-u,w	520.0							
		Cottonseed meal,u,w	320							

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables	
The following explanations apply to NYSE, NYSE Arca, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.	
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.	Footnotes:
Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.	I-New 52-week high. I-New 52-week low. dd-Indicates loss in the most recent four quarters. FD-FIRST day of trading. H-Does not meet continued listing standards. IF-Late filing. q-Temporary exemption from Nasdaq requirements. t-NYSE bankruptcy. v-Trading halted on primary market. vi-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, March 29, 2018

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
A				B				C				G				H							
ABB	ABB	23.74	.18	Banco	SDAN	6.55	.08	BankC	CBIB	42.02	.43	Bankf	BEN	34.68	.57	BankG	FCS	17.57	.82	BankM	FCX	51.08	.60
ADT	ADT	7.93	.26	BankN	CBAC	29.99	.60	BankP	CBOM	34.17	.89	BankR	CDPS	16.00	.17	BankS	CIB	42.02	.43	BankT	CGP	16.33	.02
AES	AES	11.37	.14	BankV	CBNS	61.70	.97	BankW	CMSS	39.97	.12	BankX	CMSS	41.43	.09	BankY	CMSS	41.43	.09	BankZ	CMSS	41.43	.09
Aflac	AFL	43.76	.21	Barclays	BCS	11.82	.06	Barclay	COAG	12.45	.06	Barclay	CBOE	150.33	.70	Barclay	CBOE	150.33	.70	Barclay	CBOE	150.33	.70
AGNC Inv	AGNC	18.92	.11	BankZ	CMSS	65.04	.19	BankZ	CMSS	65.04	.19												
ANGI Homesvc	ANGI	13.56	.05	BaxterInt'l	DAX	65.04	.19	BaxterInt'l	DAX	65.04	.19												
Ansys	ANSS	156.69	.89	Bectec	BDX	216.70	.47	Bectec	BDX	216.70	.47												
ASML	ASML	198.56	.403	BellGeer	BGGE	16.88	.10	BellGeer	BGGE	16.88	.10												
AT&T	T	35.65	.14	Berkley	WRB	72.70	.09	Berkley	WRB	72.70	.09												
AbbottLabs	ABT	59.92	.69	BerkHathwy	BRKA	199.48	.28	BerkHathwy	BRKA	199.48	.28												
Ablomed	ABMD	290.99	.80	BethGlobe	BGRY	54.81	.77	BethGlobe	BGRY	54.81	.77												
Accenture	ACN	153.50	.69	BestBuy	BGB	69.99	.14	BestBuy	BGB	69.99	.14												
ActivisionBlvd	ATVI	67.46	.14	BigBioRad	BIO	250.08	.24	BigBioRad	BIO	250.08	.24												
AcuityBrands	AVY	139.19	.218	BigLabs	BBLB	17.82	.00	BigLabs	BBLB	17.82	.00												
AdobeSystems	ADBE	216.00	.354	Biogen	BIBB	273.82	.20	Biogen	BIBB	273.82	.20												
AdvanceAuto	AAAP	118.85	.257	BookingHdgs	BKNG	2080.39	.257																
AdvMicrDevices	AMD	10.05	.024	Borlaug	BPL	77.33	.09	Borlaug	BPL	77.33	.09												
AdvSemEgg	ASX	7.26	.004	BlackBerry	BERRY	11.50	-.70	BlackBerry	BERRY	11.50	-.70												
Aegon	AEG	6.77	.001	BlackRock	BLK	541.72	.136	BlackRock	BLK	541.72	.136												
AerCap	ACN	50.72	.055	Blackstone	BSX	27.32	.064	Blackstone	BSX	27.32	.064												
Aetna	AET	169.00	.430	BioNuve	BNU	36.17	.09	BioNuve	BNU	36.17	.09												
AffiliatedMgns	AMG	189.58	.458	BioPharm	BPHM	63.25	.036	BioPharm	BPHM	63.25	.036												
Allegion	ALGN	124.89	.133	BrilliantLabs	BRBL	57.96	.71	BrilliantLabs	BRBL	57.96	.71												
Allergan	AGN	85.29	.216	Broadcom	AVGO	235.65	-.103	Broadcom	AVGO	235.65	-.103												
AllianceData	ADS	212.88	.904	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Allstate	ALL	94.80	.019	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Altria	MU	62.32	.03	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
AluminafChn	ACH	13.92	.048	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Amazon.com	AMZN	1473.54	.92	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Ambev	ABEV	7.27	.016	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Amdocs	DOX	66.72	.053	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153												
Amoco	UHAL	345.24	.130	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153	BrownForman	BFB	54.40	.153	BrownForman	BFB</						

BANKING & FINANCE

Barclays Penalty: \$2 Billion

BY JENNY STRASBURG

Barclays PLC agreed to pay \$2 billion in civil penalties to resolve U.S. Justice Department claims that the U.K. lender fraudulently sold mortgage securities that helped fuel the financial crisis, causing investors "enormous losses," the government said Thursday.

Two former Barclays executives also agreed to \$2 million in civil penalties to resolve individual claims, the Justice Department said.

The agreements came 15 months after the Justice Department took the unusual step of suing Barclays over the allegations. Barclays sought to have the suit dismissed, calling the claims "disconnected from the facts." Within hours of when that December 2016 lawsuit was filed, the government separately agreed to multibillion-dollar settlements with two other European lenders, **Credit Suisse Group AG** and **Deutsche Bank AG**, in parallel mortgage-backed securities probes.

The Justice Department's civil action against Barclays accused the bank of causing billions of dollars in losses to investors in deals involving more than \$30 billion of mortgage securities from 2005 to 2007. The bank "systematically and intentionally misrepresented key characteristics of the loans," including the credit weakness of borrowers, lead-

ing to higher-than-expected default rates, according to the government.

The 2016 lawsuit didn't quantify the damages it sought from the bank. At the time, Barclays was being asked to pay around \$5 billion. The Wall Street Journal reported at the time, citing a person familiar with the matter. A portion of that proposed amount likely would have been in consumer relief such as loan modifications.

In the end, Barclays's settlement is solely a financial penalty, with no additional amount for consumer relief. Last year, Attorney General Jeff Sessions said the Justice Department would no longer include provisions in corporate settlements that require payments to third parties not directly involved in legal disputes.

"I am pleased that we have been able to reach a fair and proportionate settlement," Barclays Chief Executive Officer Jes Staley said in a statement Thursday.

"Today's settlement holds accountable those who waste, steal or abuse funds" overseen by the Federal Housing Finance Agency, Laura Wertheimer, the agency's inspector general, said in a joint statement with the Justice Department.

The agreement didn't include an admission of wrongdoing. The bank said it would recognize the penalty in its



Barclays CEO Jes Staley

first-quarter results and that its already-announced 2018 dividend of 6.5 pence (9.2 cents) remains unchanged. Barclays shares closed 0.2% higher in London.

The two former Barclays executives agreed to \$2 million in combined penalties, Paul Menefee and John Carroll, said through statements from their lawyers that the allegations were baseless, noting that they didn't admit to wrongdoing. Both men left Barclays in 2008. A person familiar with the matter said Barclays, not the individuals, paid their penalties.

"Throughout his career, Mr. Carroll has worked honestly and honorably in the interests of his employers and investors, and now, he looks forward to putting this experience behind him," according to a statement

Thursday from Mr. Carroll's lawyer.

"Mr. Menefee worked tirelessly, diligently and in good faith at all times on behalf of Barclays and its investors," according to a statement from his lawyer. It said Mr. Menefee settled "solely to put this matter behind him."

For Barclays, the mortgage settlement removes one of several big legal worries hanging over the bank and Mr. Staley. He is awaiting the outcome of a long-running investigation by the U.K.'s Financial Conduct Authority into his efforts to reveal the identity of a whistleblower. The resolution of that probe initially was expected by the end of 2017, people close to the matter said last year. Mr. Staley has apologized for his handling of the whistleblower complaint.

The mortgage settlement announced Thursday capped prolonged on-and-off discussions between the bank and Justice Department that spanned two presidential administrations. At first, some Barclays investors worried that a protracted legal battle could result in a worse deal than the lender initially faced. Mr. Staley was vocal about refusing to accept what he considered an unfair penalty.

—Adam Clark
and Aruna Viswanatha
contributed to this article.

◆ Heard on the Street: Barclays settlement is a relief. B12



Buying NEX will make CME a critical player in trading Treasurys.

CME's Duffy Returns To Deal-Making Days With NEX Purchase

BY ALEXANDER OSIPOVICH
AND PHILIP GEORGIADES

with \$14.5 trillion of Treasury securities outstanding. NEX owns the largest electronic-trading platform for Treasurys, BrokerTec, at which an average of \$143 billion is traded daily, according to the NEX website.

That complements CME's heavily traded U.S. interest-rate futures, a closely related market in which CME has an effective monopoly. The firm cemented that position through a previous deal led by Mr. Duffy, the 2007 merger of CME and CBOT.

Mr. Spencer stands to make hundreds of millions of dollars from the sale. He told reporters Thursday that he would become a "large and happy shareholder" in CME under the terms of the cash-and-stock deal. He will join the CME board and remain with the company as an adviser, the companies said.

The 62-year-old Mr. Spencer is one of the City of London's most high-profile figures and has built himself a fortune and significant political influence



Previous deals by Mr. Duffy made CME an exchange giant in markets ranging from energy to gold.

out of the expansion of the derivatives markets over the past 35 years.

In the 1980s, having been fired from two previous jobs in finance, he pulled together \$60,000 with three partners to make a play on the increasing demand for brokers to help banks trade derivatives products.

The company he founded, ICAP PLC, became one of the world's biggest participants in the over-the-counter derivatives markets, built on a core business of brokering trades by telephone. But in 2016, faced with technological shifts in the markets, ICAP sold its voice-brokering unit to rival Tullett Prebon PLC. The remainder of ICAP rebranded itself as NEX Group and refocused on electronic trading.

Mr. Spencer was a prominent backer of the U.K.'s Conservative Party under its previous leader, former Prime Minister David Cameron, and was the party's treasurer between 2006 and 2010.

ICAP's charity days became an iconic feature of the City of London's calendar, with celebrities manning the phones to raise money for charity.



Youbit says it lost 17% of its total assets in the cyberattack last year. Prices on the rival Bithumb exchange in early February.

Insurer Rejects Claim for Cyberheist

BY EUN-YOUNG JEONG

SEOUL—A South Korean insurance company denied a claim by a cryptocurrency exchange that suffered a cyberattack in December, the exchange operator said.

That month, Seoul-based Youbit was hacked for the second time in eight months, losing an unspecified amount it said represented 17% of its total assets. Youbit's operating company, **Yapian Corp.**, filed a claim with **DB Insurance Co.**, one of South Korea's four biggest property-and-casualty ins-

surers, under a policy that had taken effect just weeks before. It covered up to \$2.8 million in damages for an annual premium of about \$244,400.

A spokesman for DB Insurance confirmed Thursday that the company had rejected Yapian's claim, for the maximum \$2.8 million, in early February. He declined to disclose a reason.

Yapian said DB Insurance had accused it of trying to rush getting its insurance and failing to disclose important information while negotiating the policy. Yapian denies this,

saying DB Insurance is using it as an excuse not to cover the loss.

DB declined to comment on whether it had made those accusations.

Security has become a concern for the nascent cryptocurrency industry, which is facing tightened regulations around the world, including in the U.S. This month, Japanese regulators shut down two exchanges, citing weak procedures to protect customers' assets.

In South Korea, a cryptocurrency hotbed, few regula-

tions protect investors. In February, prosecutors raided three exchanges in Seoul as part of an investigation into alleged embezzlement. Last year, the government fined **BTC Korea.Com** Co., operator of cryptocurrency exchange Bithumb, after a hack compromised the personal information of thousands of its users.

Yapian, which is being acquired by another domestic digital-currency trading firm, Coinbin, said it had intended to use the insurance payment to compensate customers for losses from the cyberheist.

The firm ruffled feathers along the way. CME faces a long-running antitrust lawsuit, which was filed nearly 15 years ago and is set to go to trial in June, from a subsidiary of Germany's Eurex exchange. Eurex contends that its effort to break into U.S. Treasury futures in 2003 was foiled by collusion between CME and CBOT. CME denies the allegations.

Buying NEX will make CME a critical player in the trading of U.S. government debt—the world's biggest bond market,

Comforting Spread

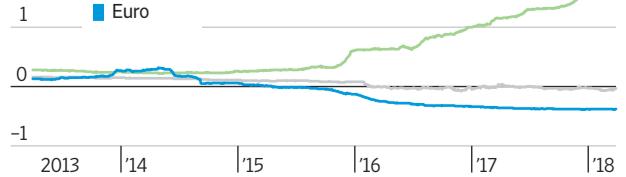
The premium global investors pay to swap their currencies for U.S. dollars has decreased significantly this year, even as U.S. borrowing costs have risen.

Three-month cross-currency basis swaps



Short-term dollar borrowing costs have risen more rapidly in the past six months, but costs in other currencies haven't reacted.

Three-month London interbank offered rate



Sources: Thomson Reuters (swaps); FactSet (Libor)

Cost to Borrow Dollars Is Shrinking

BY MIKE BIRD

While short-term U.S. borrowing costs have surged in recent months, borrowers of dollars abroad are unexpectedly getting some long-delayed relief.

The London interbank offered rate, or Libor, hit 2.3% this week, up from 2% at the end of February and 1.7% at the end of 2017, sparking concerns about U.S. financial conditions even as the economy remains strong.

The spread, or difference, between Libor and the overnight index swap rate, which is usually close to the federal-funds rate, also has risen. In the past, that has been a sign of funding stresses.

However, the cross-currency basis—a measure of the expense of swapping another currency for dollars—is shrinking. Investors abroad

aiming to swap their euros and yen for dollars for three months are paying the lowest premium since 2014.

Investors in sterling are even better positioned. The three-month sterling-dollar

cross-currency basis moved into positive territory this month, meaning that investors are paying a premium to swap dollars for British pounds.

Of course, those global investors still bear the costs of rising U.S. interest rates, too. But unlike domestic investors, that rise is blunted by the nar-

rowing basis. Libor is the interest rate at which global banks lend to one another and acts as the benchmark for \$200 trillion in financial contracts around the world.

To be sure, the use of cross-currency swaps is often sensitive to seasonal effects. At the end of last year, the basis blew out as international banks scrambled for dollars, and the coming end of the first quarter may be playing a part in the recent tightening.

Still, some analysts say the lower premium for dollar borrowing abroad is a sign that the climb in short-term U.S. interest rates is not a sign of a broader funding squeeze. There is also no sign of an increase in funding costs in three-month Libor rates in other currencies.

"If it was a true funding problem, I'd expect borrowers

to borrow anywhere they could, driving up all spreads, like we saw when there was an actual crisis," said Peter Tchir, head of macro strategy at investment bank **Academy Securities** Inc. Mr. Tchir identifies several factors as drivers for a move in the U.S. but not elsewhere. U.S. tax repatriation is one of them.

"Much of the offshore money was being lent out to high-quality institutions for relatively short amounts of time. As those loans come due, they are being shifted into either T-bills, deposits, or being used to pay taxes or buy back stocks," said Mr. Tchir. As a result, less money is available in wholesale funding markets, driving interest rates higher.

The narrowing of the cross-currency basis could be due to other U.S. tax changes, said **Credit Suisse Group** AG analyst Zoltan Pozsar.

MARKETS

Tech Rout Makes Day Traders Nervous

By BEN EISEN

The sell-off in technology stocks is making a group of usually bullish short-term investors nervous.

Day traders have been posting increasingly bearish messages on StockTwits, the popular messaging forum, data from the company show.

An aggregate of messages about seven big technology stocks, weighted by volume, shows just 54% were bullish, down from nearly 90% at the beginning of the year. Bearishness increased sharply over that span.

That is one sign of just how far-reaching the recent sell-off in technology stocks has been.

The views generally reflect the broad investment landscape, where everyone from hedge funds to retirees are re-thinking their exposure to these companies after years of rapid stock-price growth.

In 2017, the average level of bullishness on these seven stocks was 75%, and never dropped below 63%, according to Garrett Hoffman, a data scientist at StockTwits.

The S&P 500 technology sector climbed 37% that year, and it is up another 1% in 2018.

But the S&P 500 was down 6% in the month of March as of Wednesday. The index's technology sector dropped 0.9% on Wednesday, for its ninth day of declines in 12 sessions.

Hot stocks that aren't in the S&P 500 technology sector, but often associated with the tech industry, fared the worst in Wednesday's session. **Amazon.com** shares dropped 4.4%, **Netflix** slid 5% and **Tesla** tumbled 7.7%.

The sharp turnaround in recent sessions followed a growing controversy about **Facebook**'s handling of user data, which sparked broader questions about whether the technology industry could face heavier regulation.

On Wednesday, Amazon fell amid speculation that the White House wants to clamp down on the e-commerce giant's growing dominance.

The StockTwits measure of bullishness dipped to the mid-70s as stocks sold off in February, rebounded a bit along with the broader stock market, and then plunged again in recent days.

Bulls in Retreat

Share of StockTwits messages about seven tech stocks that are bullish



THE WALL STREET JOURNAL.



Saudi Aramco trucks ply the desert in search of oil. The state-owned company plans to list 5% of its shares on the kingdom's Tadawul exchange.

SAUDI ARAMCO/REUTERS

Saudi Stocks Emerge to World

Shares to join a FTSE index next year, helping to grease the skids for IPO of Saudi Aramco

By NICOLAS PARASIE

Saudi Arabia's stock market will join a major emerging-markets index for the first time in 2019, in a move that is set to channel billions of dollars in investment into the kingdom.

Index compiler FTSE Russell said late Wednesday that the kingdom's exchange, the Tadawul, will be classified as a secondary emerging market in March of next year, joining a group of countries that includes Russia and China.

The Tadawul is set to have a weight of 2.7% in the FTSE Emerging Markets Index, but that could rise to 4.6% if the government proceeds with the planned initial public offering

of 5% of state-owned **Saudi Arabian Oil Co.**, according to the index compiler. With an estimated \$200 billion of assets tracking the index, Saudi Arabia could attract \$5.4 billion in investor funds, it said.

Mohammed El Kuwaiz, chairman of Saudi Arabia's Capital Market Authority, said the FTSE inclusion "represents a point of nonreversal" for the Saudi market.

"Once you open up the door to foreign investors, I think there's only one direction you can move in, the direction of accommodating more investors and an increasing level of standards for our market to compete for that capital," Mr. El Kuwaiz said in an interview in New York on Wednesday.

The Saudi stock market closed slightly lower Thursday after rising nearly 10% this year ahead of the announcement.

The inclusion of the Arab world's largest stock market,

with a market capitalization of about \$500 billion in listed shares, marks a welcome boost for the Saudi government's economic-overhaul plans, which include opening up the country to foreign investors to reduce its dependence on oil revenue.

The Persian Gulf's major oil exporters have introduced some far-reaching and often painful overhauls in the past few years, such as scrapping energy subsidies and raising taxes to cope with the drop in oil revenue.

Saudi Crown Prince Mohammed bin Salman, who is spearheading the revamp, is touring the U.S., touting potential investment opportunities in the kingdom to business leaders from New York to Silicon Valley.

His visit comes weeks after scores of Saudi businessmen and officials were released from detention in a luxury hotel in Riyadh, as part of what

the government described as a crackdown on corruption. Those events startled some foreign investors.

Tadawul executives and other officials have spent more than a year meeting with international investors in the U.S., Europe and Asia to discuss the Saudi market and the changes they have been making to attract more foreign investment.

Boosting investment in Tadawul-listed companies may help pave the way for a domestic offering of the state-owned oil company, known as Saudi Aramco, one of the central pillars of the kingdom's economic overhaul.

Aramco's IPO preparations have been slowed down by concerns over where to list. Saudi officials have said that the Tadawul is the one venue where Aramco will list its shares.

Mr. El Kuwaiz said listing Aramco on the Tadawul and

other privatizations of state-owned companies will give the exchange the opportunity to become the main capital market for the Middle East and hopefully one of the main capital markets in the world."

The FTSE inclusion could be a prelude to a potentially bigger market classification upgrade pursued by the Tadawul. **MSCI Inc.**, another index firm, will decide in June whether to add Saudi Arabia to its emerging-markets benchmark, which could attract additional billions of dollars in funds.

Both the Tadawul and the Capital Market Authority have been making changes to ensure they meet the criteria for these upgrades.

The stock exchange implemented a new settlement cycle and gradually lifted restrictions on foreign ownership of Saudi stocks.

—Maureen Farrell contributed to this article.

Dow, S&P 500 Rise but End Quarter Lower

By MICHAEL WURSTHORN AND RIVA GOLD

The Dow Jones Industrial Average rose more than 250 points Thursday as investors sought to take advantage of depressed valuations among some of the market's most sought-after technology stocks.

Investors bought shares of companies including **Facebook**, Google parent **Alphabet**, **Nvidia** and **Amazon.com** on the final trading day of the quarter ahead of the Good Friday holiday.

The rally helped cut the blue-chip index's quarterly loss—its first in more than two years—to 2.5%.

The index rose as much as 466 points earlier in the session before paring gains in the final hour of trading. The damage from two months of uncertainty over how rising interest rates will affect stock prices and the ramifications of trade tariffs, along with doubts whether shares of technology companies can continue to lead major indexes higher,

proved too severe to overcome.

The S&P 500 fell 1.2% for the quarter, the first time in 10 quarters that either the S&P 500 or Dow posted a loss for a three-month period. The Nasdaq Composite, meanwhile, rose 2.3%, its weakest gain since the last quarter of 2016.

Investors' willingness to buy stocks that have fallen sharply has helped to avoid exacerbating the market sell-off over the past two months. And several money managers said the return of volatility, along with worries of an economic slowdown, has elevated the strategy of picking individual stocks rather than broadly investing in an index.

"These are the drops you wait for," said John Thomas, chief investment officer of Global Wealth Management, a Fort Lauderdale, Fla.-based financial-advisory firm that manages \$350 million. "If you don't own some of these great growth names, you should be looking at them as they come down."

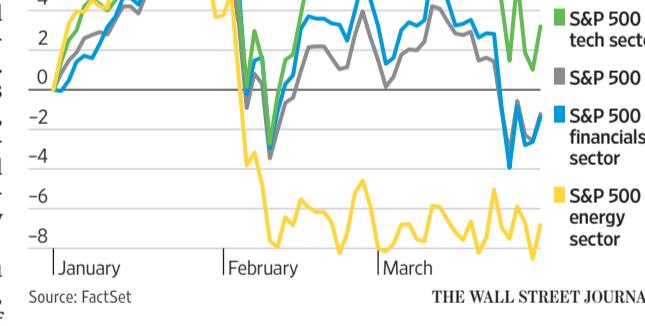
That helped the broad S&P 500 add 35.87 points, or 1.4%, to 2,640.87 on Thursday, while the Nasdaq Composite gained 114.22 points, or 1.6%, to

A Wild Ride

The S&P 500 surged in January before falling into correction territory

for the first time in two years on Feb. 8 as market volatility roared back.

Year-to-date performance



Source: FactSet

7063.44. The Dow rose 254.69 points, or 1.1%, to 24,103.11.

However, technology's recent stumble, is a reminder to avoid the risk of overexposure to those stocks. "You don't want them taking over such a large part of your portfolio that you end up overweight," Mr. Thomas added.

On Thursday, shares of technology companies in the

while Alphabet added 31.96, or 3.2%, to 1,037.14. Tesla rose 8.35, or 3.2%, to 266.13, and Nvidia, which declined earlier this week after it temporarily suspended testing of its driverless-car technology, added 10.24, or 4.6%, to 231.59.

Shares of Amazon added 15.92, or 1.1%, to 1,447.34.

In early Asian trading Friday, Japan's Nikkei was up 1%, while Hong Kong's Hang Seng rose 0.2%.

Treasury Auctions

The U.S. Treasury Department will auction \$90 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on Jan. 4, 2018, maturing July 5, 2018. Cusip number: 912796PN3.

Also, \$42 billion in 26-week bills, dated April 5, 2018, maturing Oct. 4, 2018. Cusip number: 912796QB8.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 11:30 a.m.

STREET

Continued from page B1
banks and energy stocks in 2008 make awful precedents.

After the dot-com bust in March 2000, the rise of other sectors—financials, health care, industrials and energy—was able to offset the effect of the plummeting tech, media and telecom stocks for six months. But it didn't last once it became clear that the economy was in trouble.

It is worrying that the tech sector's value reached 25% of the S&P's value last month for the first time since the deflation of the dot-coms. Yet in 2000, tech peaked at 35% of the S&P, and together with media and telecoms made up more than 40%. Even with tech companies in other sectors added in, today's tech stocks are a smaller proportion.

There have been plenty of smaller rotations between sectors that had little effect on the wider market. Biotechnology stocks—together valued at more than \$1 trillion at their peak—quadrupled in the four years to 2015, before falling more than one-third in a year, and the wider market barely noticed. But the S&P's tech sector alone is more than six times as big, and the wider Nasdaq Composite Index more than 10 times.

Big losses could pose a threat to the economy, as in 2000. The Federal Reserve hoped buying bonds would boost consumer spending via what economists call the "wealth effect," by increasing the value of investors' portfolios, but had mixed results. Perhaps a "loss-of-wealth" effect will be equally weak, but I sus-

pect losses are a stronger influence on spending than gains.

One way to think of recessions is that they happen when assets have been misallocated on a large scale and can't be reallocated quickly to maintain growth. The same is true for bear markets, which are a painful way of reallocating what is left of investors' capital. We should hope that the premise for Amazon's valuation of 175 times this year's estimated earnings isn't horribly mistaken.

For now, the rotation remains small, and it isn't hard to imagine the tech damage being limited to just a few company-specific problems.

Treasury Prices Step Up for a Third Day

BY DANIEL KRUGER

Treasury prices advanced as investors appeared to focus on signs of slowing growth amid mixed economic data.

The yield on the 10-year Treasury note fell Thursday for a third consecutive session to 2.741%, its lowest close since the end of January, from 2.777% Wednesday.

Yields fall as bond prices rise. It was the largest three-day decline in yields since May. The yield rose 0.332 percentage point during the quarter but fell 0.129 percentage point in March.

Investors' expectations for inflation for the next 10 years declined to the lowest level in two months after the Commerce Department said Thursday that core inflation, which

excludes food and energy prices, rose 1.6% from a year ago. The Federal Reserve's preferred measure of inflation rose 1.8% for the period, a rate last exceeded in February 2017, when it climbed 2.2%. Inflation is a threat to the value of bonds as it erodes the future purchasing power of their fixed interest payments.

The difference between 10-year yields for Treasurys and Treasury inflation-protected securities narrowed to 2.06 percentage points, down from 2.16 percentage points a month ago. The spread is known as the break-even inflation rate because investors who bet on inflation by buying TIPS and selling Treasurys would need the consumer price index to rise that much on average during the period to break even on the trade.

The gap between two- and

10-year Treasury yields shrunk to its narrowest point since 2007 as investors continue to bet that the Fed will raise interest rates at least three times this year, even as the inflation expectations reflected in bond yields ease. Some investors see a shrinking gap between the two yields as a sign of weakening sentiment about economic growth.

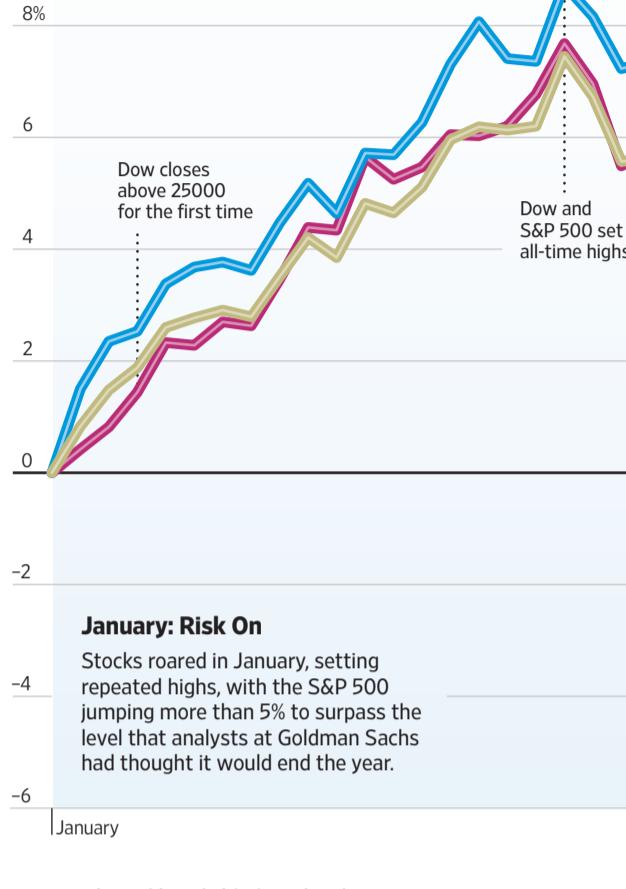
Meanwhile, initial claims for unemployment compensation fell to 215,000, the lowest level since 1973, the Labor Department said Thursday. Personal income, reflecting Americans' pretax earnings from salaries and investments, rose 0.4% in February. Personal-consumption expenditures increased at a slower pace, rising a seasonally adjusted 0.2% in February from the prior month, the Commerce Department said.

MARKETS

A Quarter in Three Acts

Stocks limped into the end of the first quarter, capping a volatile run that sent major indexes tumbling from all-time highs.

INDEX PERFORMANCE, YEAR TO DATE



January: Risk On

Stocks roared in January, setting repeated highs, with the S&P 500 jumping more than 5% to surpass the level that analysts at Goldman Sachs had thought it would end the year.

February: Volatility Returns

Major indexes lost more than 10% of their value over nine trading sessions, while the Cboe Volatility Index, or VIX, spiked, shattering the tranquility that had characterized markets last year.

The VIX posts its largest-ever one-day increase

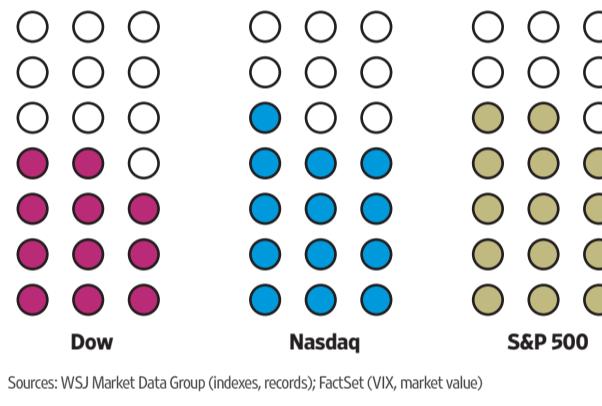
Dow and S&P 500 enter correction territory for the first time in two years

The 10-year Treasury yield hits a four-year high

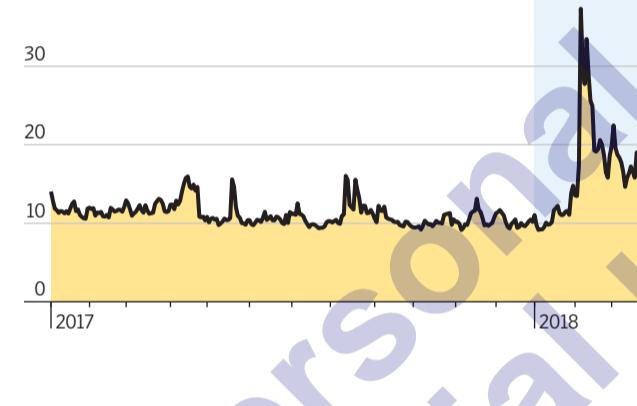
March: Tech Wreck

Tech stocks suffered a beating as investors reassessed a sector that has been considered the growth engine of the global economy but now faces the prospect of greater regulatory scrutiny.

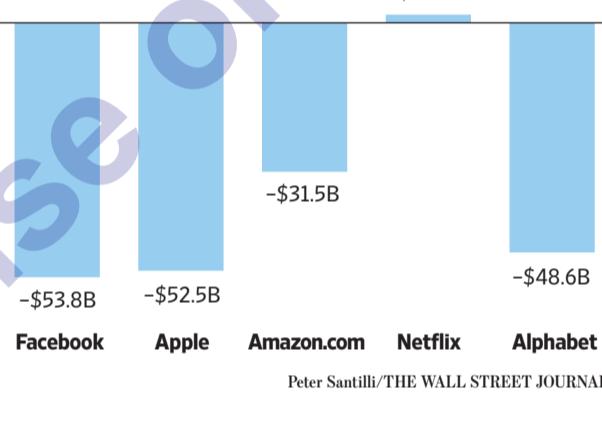
NUMBER OF RECORD CLOSES IN JANUARY



CBOE VOLATILITY INDEX



CHANGE IN MARKET VALUE IN MARCH



Peter Santilli/THE WALL STREET JOURNAL.

Sources: WSJ Market Data Group (indexes, records); FactSet (VIX, market value)

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Bank Investors Are Too Bearish

U.S. banks are doing far better than their share prices would suggest.

Banking stocks have been among the hardest hit in recent market declines. Since the end of January the KBW Nasdaq Bank Index is down 8.8%, compared with a 7.7% decline in the S&P 500.

Investors clearly are worried about a flattening yield curve as short-term borrowing rates have shot up while long-term rates have stagnated. In theory, this is negative for banks, but this concern shouldn't be overplayed.

Under current conditions, many banks are still net beneficiaries from higher short-term rates. So far, most haven't increased what they pay depositors by much. At the same time, many loans are tied to short-term benchmarks like the London interbank offered rate, boosting their yield.

Barclays analyst Jason Goldberg points to a measure called the one-year gap ratio, defined as the difference between assets set to reprice within one year and liabili-

Reversal

Banks have fallen on concerns that short-term rates are closing in on long-term rates.

Performance of the KBW Nasdaq Bank Index



Sources: SIX Financial; FactSet

ties set to do the same, as a percentage of total assets. For 22 large-cap banks, the median ratio stood at 31% in 2017, up from 27% five years earlier. This indicates that banks have been preparing for higher interest rates by shifting into short-term assets that reprice quickly.

Differences between banks are important. Those with a higher gap ratio should benefit more from rising rates over the coming year. Mid-

size lender **Comerica** ranks among the best on this measure, according to Barclays, likely because it does lots of short-term business lending.

Ally Financial has a negative gap ratio. Most big commercial banks are bunched together, with **Citigroup** in the lead because it does lots of business lending.

The wild card for bank earnings is the recent uptick in market volatility. Banks with trading arms like to see

some volatility because it gets clients trading and generating commissions. Too much can scare clients away from trading, though.

Have the stock market's recent moves been the right amount of volatility for banks or too much? Early indications are positive. Following the sharp market declines in early February, executives at several major banks made positive comments about first-quarter trading revenue.

"There certainly has been a pickup in volatility in the first quarter. And by and large, that's positive," said Citigroup Chief Financial Officer John Gerspach at a conference in early March.

More important, volatility is likely to stay elevated for some time, as central banks wind down the quantitative-easing policies that suppressed volatility for years.

Overall, the trend lines for major bank fundamentals are still heading in the right direction. That likely makes their recent decline a buying opportunity.

—Aaron Back

OVERHEARD

Everyone knows how a big night on the town can go wrong. You feel good early on, dancing, downing too many drinks, meeting new folks—and then end up face down in a pile of puke.

That about sums up the past four months in the life of U.K. liquor-store chain and wholesaler **Conviviality**. The company bought a rival chain in December, then just two months ago announced "robust results."

Heads started spinning on March 8, when the company disclosed a "material error" in financial forecasts and a 20% slashing of profit forecasts.

On the morning of March 14, it disclosed a £30 million (\$42 million) unpaid tax bill that was due two weeks hence.

That evening, they canceled the dividend.

Investors woke up early Thursday morning to an announcement that Conviviality would file for the British equivalent of bankruptcy protection.

Bottoms up, shareholders.

Barclays Settlement Is a Relief

Finally, there is some good news to put a spring in the step of **Barclays**'s pressured chief executive, Jes Staley.

His decision to stand up to the U.S. Justice Department over accusations that it improperly sold mortgage bonds has paid off. The Justice Department had demanded \$5 billion in December 2016, but Barclays is paying a final settlement of \$2 billion.

That is one of the lowest settlements among the large banks pursued by the Justice Department, and it is all cash—a good thing. Many other banks had a similar or larger cash settlement plus a commitment to fund billions of dollars of consumer relief.

For example, **Deutsche Bank** and **Credit Suisse Group**, which both settled in December 2016, paid \$3.1 billion and \$2.5 billion, respectively, in upfront cash penalties, plus \$4.1 billion and \$2.8 billion in consumer relief.

Barclays had no provisions to cover the fine so the hit to capital will push the bank below its targeted 13% common-equity ratio for now. However, it should more than make up that lost capital through profits this year and have enough to pay its planned higher dividend for 2018.

The stock showed only a small positive reaction to the settlement, and that is understandable. Barclays has other legal fights in the U.K., is facing questions over its strategy and has a new activist investor about to start agitating for changes.

In terms of cash costs, the U.S. mortgage-bond charges were the bank's biggest overhang. Investors—and Mr. Staley—can breathe a big sigh of relief.

—Paul J. Davies

Shire Would Be a Big Pill for Japan's Takeda to Swallow

Japan's largest drugmaker wants to gobble up a big American meal. Low rates at home may make it easier to swallow, but indigestion is still likely.

Takeda Pharmaceutical said Wednesday it is considering a bid for London-listed rival **Shire**, which would create one of the world's largest drugmakers by sales, ahead of **AbbVie** and **Eli Lilly**. The deal, if it ever goes through, would be the largest ever outbound acquisition by a Japanese firm, according to Dealogic. Ireland-based Shire, which owns hyperactivity drug Adderall, had a market value of \$45 billion after a 14% jump Wednesday,

Closing the Gap

Market capitalization



Source: FactSet
THE WALL STREET JOURNAL.

while Takeda is a bit smaller at \$39 billion.

Takeda has been expanding rapidly in the U.S. to offset decline in its home market. It bought U.S. cancer-

drug maker **Ariad Pharmaceuticals** for about \$5 billion last year. Takeda sells more prescription drugs in the U.S. than in Japan. Adding Shire would mean nearly half of its revenue would come from America.

Still, Takeda's move looks opportunistic. As recently as late 2016, Shire's market value was 70% higher than Takeda's. Shire's \$32 billion takeover of Baxalta in 2016 has loaded the company with debt and sent its stock down 40% since the beginning of last year.

Even though Shire is now of similar size to Takeda, the Japanese firm will likely still have to take on tons of debt

to fund a deal. Cheap funding rates in Japanese yen would make that more palatable, but it is still digesting the borrowings it took on for the Ariad acquisition. Although Takeda's net debt is now a manageable 1.8 times earnings before interest, taxes, depreciation and amortization, that would likely balloon if it has to borrow for the Shire deal.

So Takeda would likely have to offer its stock, at least in part, to complete the deal. It is now trading at much higher earnings multiples than Shire is and has a lower profit margin. It could offer a high takeover premium to Shire, though that

would be dilutive for Takeda's shareholders—which is likely one reason that Takeda slumped 7% on Thursday.

Takeda has until late April to decide whether it will put in a concrete bid for Shire, but other bigger rivals like AbbVie, which tried to buy Shire in 2014, or Sanofi, may sense the opportunity to pounce in the meantime. U.S. drugmakers have found it tougher to push growth via price increases recently—their traditional recipe—so they are eager to look for acquisitions. The hard work is just beginning if Takeda wants to secure a Shire deal.

—Jacky Wong

Producer Joel Silver sells Malibu home for \$37 million **M2**



MANSION

Man, he's just like
trippen-dicular, you know?
—From 'Valley Girl' (1983)

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, March 30, 2018 | **M1**

A Turf War in the Valley

Long the suburban stepsister of luxury Los Angeles neighborhoods like Beverly Hills, the San Fernando Valley is becoming more fashionable—and more competitive.



JOE SCHMELZER FOR THE WALL STREET JOURNAL; BEN PRUCHNIE/GETTY IMAGES (SILVER)

VALLEY LIVING After years living in the posh Los Angeles, Calif., neighborhood of Hollywood Hills, Arnie and Carol Kleiner moved to this house in Studio City in the Valley. Not only has the area become more sophisticated and walkable, it offers a less-trafficked alternative to Hollywood, Ms. Kleiner says. Mr. Kleiner says the sushi in the area is excellent.

BY KATY MC LAUGHLIN

IN APRIL, Roger Ewing, owner of three Sotheby's International Realty offices in Los Angeles's San Fernando Valley, took meetings with six of his top-producing agents, only to learn they were all quitting to join a competitor.

"They put me out of business," said Mr. Ewing. Ultimately, 15 agents left, stripping the company of its top 25% of producers, which "took all the profit out of the company and put me in the

red," said Mr. Ewing. Having closed two of his offices in July and the third last month, Mr. Ewing is now working as an independent real-estate broker.

Turf wars in the competitive Los Angeles real-estate market are nothing new, but this one broke out in an unexpected place: the San Fernando Valley. Long considered the suburban stepsister of neighborhoods like Beverly Hills, Bel-Air and Malibu, the Valley has become more fashionable, more expensive, and—as Mr. Ewing discovered—more competitive.

The battles reflect the growing strength of the market. Last year, there were 1,765 property sales in the Valley for over \$5 million, up 54% from a decade ago, according to Zillow, a real estate website. It also found the median price for a single-family home in the Valley hit \$673,000 last year, above its precrash peak of \$627,000, in 2007.

Compass, the self-described real estate technology company to which Mr. Ewing's agents moved, recently opened two offices in the Valley

Please turn to page M4

SHHHH. THE PRICE IS A SECRET

INSIDE

In a risky move, some sellers tell prospective buyers that the asking price is 'available upon request.' The strategy is meant to create mystique and result in a high purchase price, but some experts warn that sealed lips sink sales.

BY KATHERINE CLARKE

REAL-ESTATE DEVELOPER Arnon Katz was searching for the mechanical system above his Manhattan penthouse when he discovered a huge, underused attic overhead. Four years later, with architectural plans in hand, he is marketing the space as a 10,000-square-foot triplex atop Hampshire House, located on Central Park South. The asking price: Mr. Katz isn't telling.

The price of the apartment is "available upon request," meaning that prospective buyers must call or even visit the property before they can learn the magic number or begin negotiations. While his real-estate agents say they have a rough price point—or at least a range—in their minds, they're waiting for the market to help guide the exact price.

"Given its absolute rarity, we didn't want to presume what a buyer would be willing to pay," said Mr. Katz, who is working on the project with his business partner Eli Bar. "We decided a better approach would be to reach out

Please turn to page M12



ALL-STAR SALE
Lopez and Rodriguez buy NYC condo **M2**



BELGIAN BOOM
French ex-pats flock to Brussels **M3**



A PRINCETON YEN
Early years of Mary Chapin Carpenter **M7**

MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

Jennifer Lopez, Alex Rodriguez Buy NYC Condo for \$15.3 Million

Singer-actress Jennifer Lopez and her boyfriend, retired Yankees slugger Alex Rodriguez, paid \$15.316 million for an apartment at 432 Park Avenue, the world's tallest residential tower, in a deal that closed in February, according to two people with knowledge of the deal.



Ms. Lopez and Mr. Rodriguez's new home measures about 4,000 square feet with three bedrooms and 4½ bathrooms. The building, located on Park Avenue between 56th and 57th streets, has sweeping views of the city and Central Park.

Residents have access to about 30,000 square feet of amenities, including a lounge, a private restaurant, a 75-foot indoor swimming pool, a fitness center and a screening and performance venue, according to listings website StreetEasy.

The couple bought the unit through a limited-liability company. The listing agents were Shari Scharfer-Rollins, Richard Steinberg, Sabrina Saltiel and Roger Erickson of Douglas Elliman. Adam Modlin of the Modlin Group represented the buyer.

Meanwhile, Ms. Lopez is listing her former Manhattan home, a penthouse at the Whitman building just north of Madison Square Park. She purchased that unit for \$20.161 million in 2014, records show, and is listing it for \$26.95 million.

It has four bedrooms and about 3,000 square feet of outdoor space across four terraces and two floors, according to the listing. That building is also home to Chelsea Clinton, the daughter of Bill and Hillary Clinton.

A spokesman for the developers, CIM Group and Macklowe Properties, declined to comment, as did a representative for Ms. Lopez.

Ms. Lopez, 48, is currently performing in Las Vegas as part of her ongoing residency at Planet Hollywood.

Mr. Rodriguez, 42, retired in 2016 and has worked in broadcasting for ESPN and Fox Sports.

▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com



HIGH LIFE Above, 432 Park Avenue. Below, a bathroom inside Ms. Lopez's other apartment, listed for \$26.95 million.



FAMED BALLERINA'S HAMPTONS HOME LISTED FOR \$37 MILLION

The family of Sono Osato, once a renowned ballet dancer, is listing her Hamptons summer home for \$37 million.

The traditional-style home sits on almost 4 acres on Quimby Lane in Bridgehampton, a quiet lane overlooking Sagg Pond. The 7,200-square-foot house has five bedrooms, all with fireplaces, and five full bathrooms and three half-baths. The estate includes a pool, a tennis court and 300-feet of frontage on the pond, where a small

strip of sandy beach disappears and reappears with the tide.

Listing agent Deborah Srb of Sotheby's International Realty said the property could be torn down to make way for a new build.

Ms. Osato, 98, was the first American dancer to join the Ballet Russes de Monte Carlo and danced with the American Ballet The-

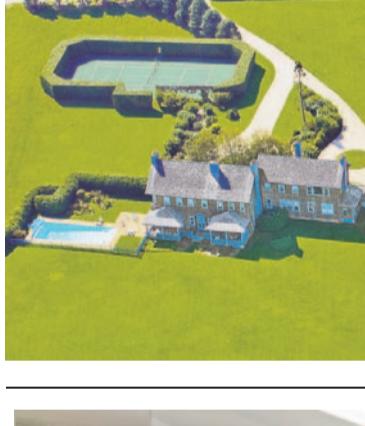
atre. She played the lead in the original production of "On the Town" on Broadway in 1944. She was married to Victor Elmalem, chairman of World-Wide Group, a real-estate development firm. Mr. Elmalem died in 2011.

Niko Elmalem, 71, one of the couple's sons, said the family is selling because his mother is getting older

and isn't able to use the property as regularly. He said his father renovated the house, which dates back to 1917, when he first purchased it in the mid-1970s, but that it has not changed substantially since.

"The whole joy of living there is feeling like you're not in 2018. There's a sense of tradition about it," he said.

Estate of Cambridge Diet entrepreneurs lists for \$37 million. **M10**



A NEW OCEANFRONT DESTINATION FOR FIVE-STAR LIVING

On the Rise in Fort Lauderdale Beach

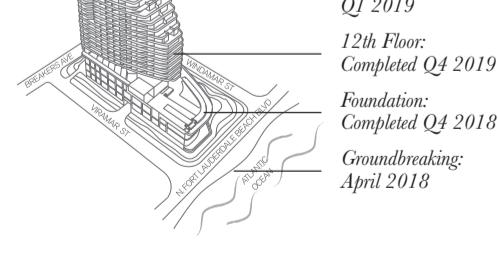
This oceanfront property, perfectly positioned overlooking the Atlantic Ocean and yacht-lined Intracoastal Waterway, features 90 residences from 1-4 bedrooms, including furnished and fully-appointed as well as unfurnished options available. The striking interiors and exteriors are designed by an international team of visionaries including Tara Bernard, Kobi Karp, Martin Brudnizki, Fernando Wong, and developed by Nadim Ashi.

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TROPHY RANCH

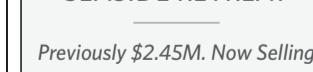
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(CLOCKWISE FROM TOP LEFT) EVAN AGOSTINI/ASSOCIATED PRESS; ANDREW LAMBERSON FOR THE WALL STREET JOURNAL; MARK SINGER; GETTY IMAGES; BRUNO SCHRECK; EVAN JOSEPH (CENTER)

MANSION

THE MARKET

Brussels District Lures Affluent New Admirers

Prices rise in corner of Belgian-EU capital; some commute to Paris; home with indoor pool for \$6 million

BY J.S. MARCUS

FINICKY FRENCH expatriates and buyers reacting to Brexit are helping to boost prices in Belgium's Ixelles municipality, southeast of the center of Brussels.

Rich in 20th-century townhouses and landmark Art Nouveau and Art Deco architecture, Ixelles has seen residential prices soar, says Bart van Opstal, spokesman for Fednot, Belgium's national organization of notaries, which reports on the country's real-estate transactions.

Mr. van Opstal says there was a surge in 2016 after the U.K.'s vote to leave the European Union, known as Brexit. Prices for Ixelles' single-family homes, which make up the bulk of the district's luxury-housing stock, rose more than 15% since 2015, says Mr. van Opstal. With one in 20 residential sales exceeding €850,000, or about \$1 million, Ixelles is the Brussels region's most expensive inner district, he adds.

Ixelles comprises several distinct neighborhoods. East of Avenue Louise, the leading upscale shopping thoroughfare in Brussels, are Matonge and the formerly scruffy Flagey. Both diverse neighborhoods are seeing a wave of gentrification. Near Matonge, a new 3,100-square-foot, two-bedroom, eighth-floor penthouse is on the market for \$2.27 million. The unit has a 1,500-square-foot terrace.

"Flagey is 'bobo,'" says Arnaud Pitz, a longtime Ixelles resident, using the French expression for "bourgeois bohemian" to describe Flagey's thriving nightlife, popular produce markets and rising prices.

Mr. Pitz, 49, a photographer and lighting designer, and his wife, Diane Maters, 47, a psychotherapist,



FROM TOP: BEA UHART FOR THE WALL STREET JOURNAL; JASMINE VAN HEVEL FOR THE WALL STREET JOURNAL (2)

are selling their five-story Ixelles townhouse for \$2.89 million. The 6,600-square-foot 1905 home is on the western side of Avenue Louise, near Place Georges Brugmann.

Brugmann, as locals call it, has been transformed by new arrivals from France. In search of lower taxes and a higher quality of life, they are drawn to the Belle Époque townhouses—which can rival those in prime areas of Paris—plus a bounty of small shops, fine restaurants and green spaces. Frequent high-speed trains put Brussels less than a 90-minute commute from Paris, where some work. Mr. Pitz says his yoga class is now 80% French.

He and his wife spent about \$614,000 in 2006 to transform a rundown, three-bedroom, two-bathroom, 6,600-square-foot townhouse into a six-bedroom, five-bathroom home for the couple and their four children. (Abraham de Bettencourt, director of Lecobel Vaneau, a real-estate agency with offices in Ixelles, says similar properties were selling for about \$1.1 million at the time of their original purchase.)

Their update includes a new open-plan kitchen on the second floor, and getting rid of a servants' back staircase for extra room. The former basement kitchen is now a



FOR SALE Arnaud Pitz and Diane Maters have listed their Ixelles townhouse, above, for \$2.89 million. Karin de Ceuninck plans to stay in the area after the sale of her home, left and below, listed at \$6 million.



party/playroom. The couple also created a split-level master suite on the third floor. The top floors hold the children's bedrooms.

Now that their two eldest children are grown, the couple and their two teenagers plan to move to Uccle, the villa district south of Ixelles. Their new home will be half as big but have a lot nearly five times the size of the current one.

Karin de Ceuninck, 57, an Ixelles native, has long had her eye on Brugmann's bucolic boulevard lined with chestnut trees and imposing townhouses. "I would love to live

on Louis Lepoutre, but parking is a nightmare," she says.

She and her partner, architect Dominique Boniver, 50, are selling their own Ixelles townhouse now that their family of four children from earlier marriages are grown. They want to divide their time between their home in Provence and a new place in Ixelles.

Ms. de Ceuninck has listed her home, an urban mansion, for \$6 million. The 7,500-square-foot townhouse fronts a 1/8th-acre yard with a new garden house. It also has a luxurious indoor pool. She

bought the early-20th-century home in 2012 and oversaw a gut renovation. She expanded the first-floor kitchen and added a floor on top. The property, surrounded by embassies, is in the Ixelles neighborhood named after the Bois de la Cambre, a 19th-century public park at the base of Avenue Louise.

A short walk away, Ixelles Ponds is noted for its elegant apartment buildings. A two-bedroom Ponds duplex, in a 1930s building, is on the market for \$4.9 million. The 4,200-square-foot apartment has a 1,500-square-foot terrace.

Home for Sale



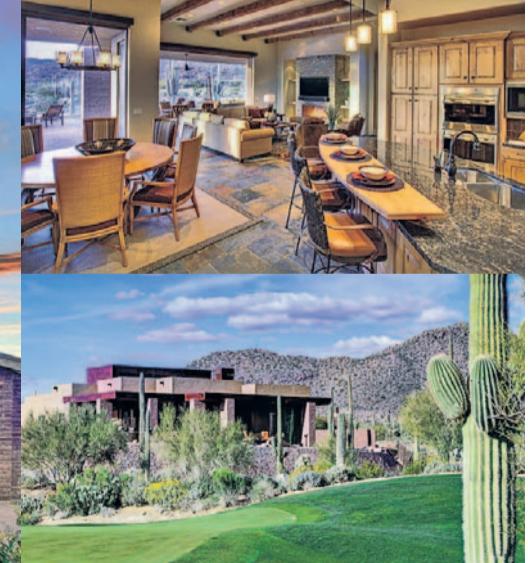
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This 4,400-square-foot 1936 townhouse has a library in its master suite. Agent: Bertrand de Moffarts, Belgium Sotheby's International Realty

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MANSION

A TURF WAR IN THE VALLEY

Continued from page M1

with 40 agents between them. Many of the company's additional 420 Los Angeles-based agents also do deals in the Valley, said Chief Executive Robert Reffkin. In late 2017, New York-based Compass received a \$450 million infusion from SoftBank Vision Fund, a Japan-based technology investor.

Pacific Union International, a San Francisco, Calif.-based company, acquired three Los Angeles brokerages within the past two years, giving it an entree into the market and branches in three Valley neighborhoods. The company plans to open two offices in the Valley—one in Burbank this year, and possibly another in Hidden Hills or Calabasas—said Nick Segal, president of Pacific Union International, Southern California.

Brokerages known for concentrating on luxury markets are also making incursions. Last year, Hilton & Hyland, based in Beverly Hills, transacted \$156 million worth of sales in the Valley. Five years ago, it hardly did any business in the area, said estates director Donovan Healey, who specializes in the Valley and moved to Hilton & Hyland from another brokerage in September.

The Agency, a luxury brokerage based in Beverly Hills, opened offices in Sherman Oaks and Calabasas within the past 14 months. Chief Executive Mauricio Umansky is closely associated with Beverly Hills; after all, his wife stars in the reality-television show "Real Housewives of Beverly Hills." But last year, the couple bought and moved to an \$8.5 million house in Encino, in the Valley.

The majority of the San Fernando Valley lies within the city of Los Angeles, but locals nonetheless tend to refer to it as "the Valley" and to the rest of Los Angeles as "the city." It is physically separated from the Los Angeles basin to the South by the Santa Monica Mountains, traversable by freeway or canyon roads.

In the 1980s, pop culture took aim at the Valley's tract housing



GO NORTH
Carol and Arnie Kleiner paid nearly \$2.6 million for their home. The 'Valley' now offers a growing quantity of high-end construction. Left, the living room. Below left, the bedroom also has a fireplace. Below right, the couple with their dog.



and suburban culture in songs such as Frank and Moon Zappa's "Valley Girl," which featured vapid lyrics spoken in an exaggerated Southern Californian accent. The

1983 film "Valley Girl" juxtaposed sheltered, materialistic Valley teens with edgier punk-rock teenagers from Hollywood.

The changing attitudes toward



the Valley reflect the changing economics of Los Angeles real estate. Some of the Hollywood types who pioneered neighborhoods like Beverly Hills and Bel-Air can no longer

afford these areas, having been priced out by technology executives, foreign buyers and cash investors.

And while the West Side, an area that includes Venice, Santa

JOE SCHMELZER FOR THE WALL STREET JOURNAL (3)

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MANSION



MICHELLE DREVES FOR THE WALL STREET JOURNAL (3)

Monica, Pacific Palisades and Brentwood, long offered a cheaper alternative, prices there have risen over 59% since 2012, according to an analysis by Tami Pardee,

founder of Halton Pardee & Partners, a brokerage with three offices on the West Side.

It has gotten to the point that star-struck fans are starting to pop

up in more fashionable Valley neighborhoods. "Young kids come out here with their Instagram shots with the sign 'Hidden Hills,'" said Jeff Biebuyck, an agent with

Compass who was one of the defectors from Sotheby's. They know the high-end gated community from reality TV shows featuring members of the Kardashian family,

from raps by resident Drake and from television personality Kylie Jenner's clothing line, which features items appliquéd with the words "Hidden Hills."

"I'm getting more executives from the studios, more actors and musicians," said Craig Strong, director of estates division for Pacific Union International. He recently sold a \$2.1 million Toluca Lake house to Jonathan Mangum, an actor and comedian who works as the announcer on the CBS television show "Let's Make a Deal." His wife, Leah, is a casting director and their 14-year-old son Chase is an actor on the Fox television show "Lethal Weapon."

Mr. Mangum sees Toluca Lake as "the place to go if you're an actor doing well and don't want to live in Pacific Palisades, Brentwood or Santa Monica," because they can't offer as much for the money. His nearly 3,000-square-foot house is in a quiet neighborhood that reminds Mr. Mangum of his hometown of Mobile, Alabama.

At the same time the Valley—long known for cookie-cutter suburbs and chain restaurants—offers good schools, an improving restaurant and shopping scene and a growing quantity of high-end construction. Many areas have urbanized, with more walkable streets, independent boutiques and eateries.

After years living in the posh "city" neighborhood of Hollywood Hills, Carol and Arnie Kleiner decamped for Studio City in the Valley, moving into a house they purchased for just under \$2.6 million. Not only had the area become more sophisticated and walkable, it offered a less trafficked alternative to Hollywood, Ms. Kleiner, 74, said. Mr. Kleiner, 74, who worked as the president of ABC Channel 7 before retiring, added that the sushi is excellent.

Tomer Fridman, another former Sotheby's agent now at Compass, said he would list a new construction home in Hidden Hills for between \$30 million and \$35 million in June. As expensive as the Hidden Hills and Calabasas markets are, prices rarely top \$1,500-per-square-foot, while comparable homes in Bel-Air might fetch \$3,000-per-square foot, Mr. Fridman said.

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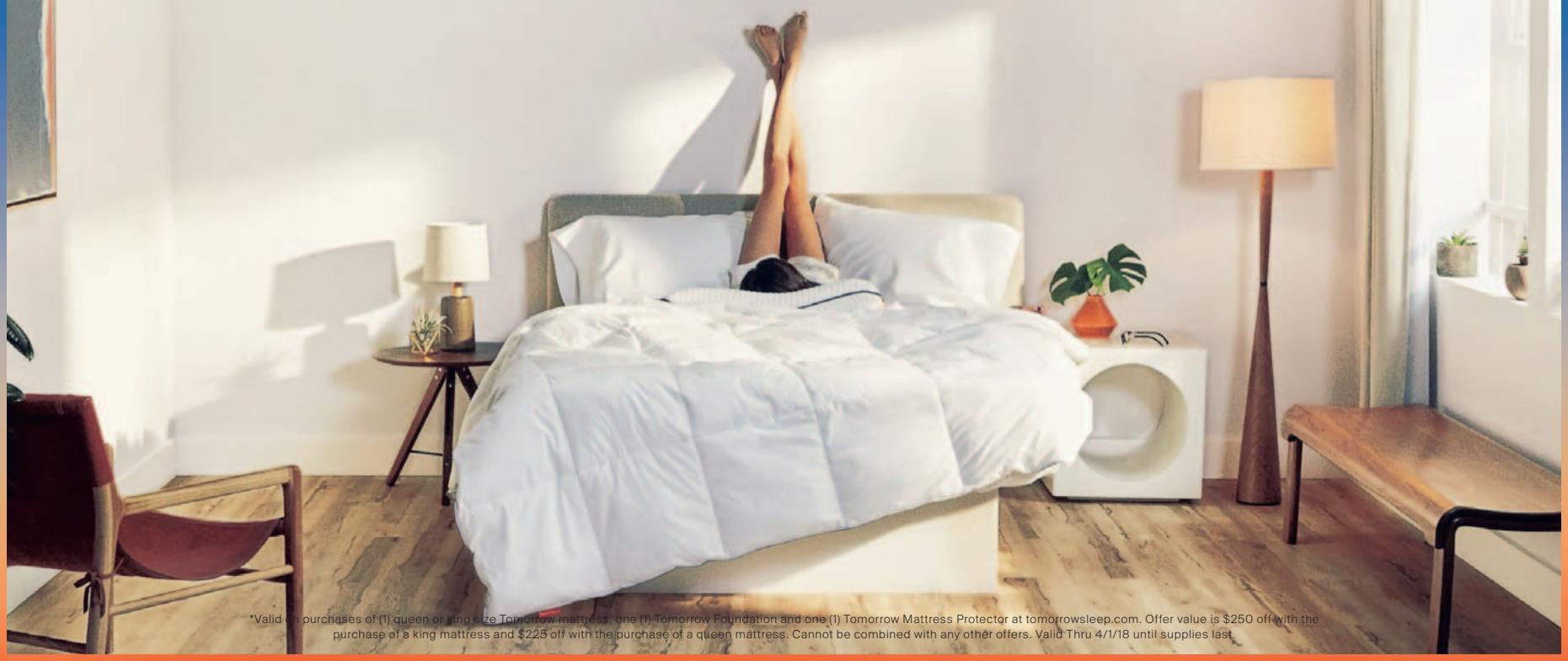
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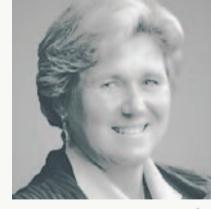
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MANSION

HOUSE CALL | MARY CHAPIN CARPENTER

Lost Chords on a Leafy Street

The singer still pines for her family home in Princeton, N.J.; today, a Blue Ridge Mountains farmhouse



YEARNING Mary Chapin Carpenter at City Winery in Manhattan in January, left; with her dog, Rusty, in Princeton, N.J., in 1965, above; and as an infant, held by her mother, Bowie, in Marquand Park, Princeton, in 1958.



I still dream about the house I lived in for the first 10 years of my life. In those dreams, I'm flying over the house and can see me as a child standing in front of my bedroom window.

My family lived in a beautiful two-story white house on a leafy street in Princeton, N.J. Everyone was together there—my father, my mother and my three sisters. My father, Chapin, was an executive on the business side at Life magazine. My mother, Bowie, worked at our school.

The house was about 100 years old and had large old trees out front and in the back. We lived just blocks from Princeton University. The attic was my favorite room. All the toys we outgrew were stored there. Hours were spent going back in time, and my friends and I could leave the place a mess.

It was fun growing up in our neighborhood. Across the street was a wonderful family: the Erdmans. Mr. Erdman had a record player and a great album collection. I'd show up in their living

room unannounced and play the family's Donovan records. Mr. Erdman would come in, look at me and say, "Oh, it's you again."

When I was 6 or 7, I absconded with my mother's bass ukulele. She played it along with her smaller ukulele and a Spanish acoustic guitar with nylon strings. She and her friends liked to get together to play and sing from their Kingston Trio songbooks. This was in the early 1960s, during what some called "the great folk scare."

Up in my room, I fooled around on the bass ukulele. Eventually I moved on to my mother's guitar. With that instrument in my lap, I looked at the chord diagrams in her songbooks. Then I'd put my fingers on the fret board based on what the diagrams said. The first song I taught myself to play was "Cielito Lindo."

I memorized songs quickly and soon began playing along with records by the Beatles, Judy Collins, Joan Baez, Woody Guthrie, Bob Dylan and The Band.

My parents were still youngsters in that house. They'd have friends over for dinner and have too much wine. Then they'd ask me to come in and play and sing a song. I often opened with "Try to Remember" from the Fantasticks. I'd close my eyes and sing earnestly. Then they'd ask for my biggest hit with dinner guests—"Leaving on a Jet Plane," which John Denver wrote and recorded in '66.

Not everything was perfect in our Princeton house. My parents didn't always get along. But while we lived there, we were a family.

One night at dinner in 1968, when I was 10, one of my parents began telling a story: "So we know this couple who was offered a chance to go to Mexico or Japan. Which would you choose?"

I was chewing my food. Without missing a beat, I said, "I wouldn't go anywhere. I'd stay right here."

At some point, that family in

my parents' story became us. My father had been offered a choice between Mexico City and Tokyo to become the publishing director of an international edition of Life. He chose Tokyo. All I felt was dread. Days later, I saw a real-estate ad in the local paper for our house. I was grief-stricken.

The image of the moving van showing up never left me. They wrapped our entire life in paper and moved us away. I've mined that vein in songs ever since.

We returned from Japan when I was 15 and lived briefly in Princeton. I didn't like driving past our old house. It belonged to someone else. My parents divorced a few years later.

Today, I live in a two-story white farmhouse on 100 acres in the Blue Ridge Mountains of Virginia.

About 15 years ago, I performed in Princeton. After, a childhood friend told me that the people who lived in my old house were away. They said it was OK if we dropped by. We drove over, and once inside, I went to my bedroom alone. I stood in front of the window where I stood as a

little girl.

At some point during the 10 minutes I was there, I touched the screen. I wanted to feel it to make sure I wasn't making up the visit.

Not long after, I was on my tour bus on a rainy cold morning in New England. I was reading a design magazine when I came across an ad for my childhood house with a photo.

I wanted to buy it. I thought if I owned it, living there would let me fix everything that came after. But it was crazy expensive and too big for me to live there by myself. And of course, the past is the past.

I never went back inside my old house. But whenever I perform in Princeton, I walk over and stand in front of it from across the street. I feel like I've spent my entire life trying to get back to that home. It's where I became me.

—As told to Marc Myers

Mary Chapin Carpenter, 60, is a five-time Grammy-winning singer-songwriter. Her latest album is "Sometimes Just the Sky" (Lambent Light).

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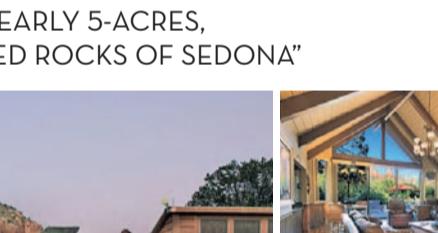
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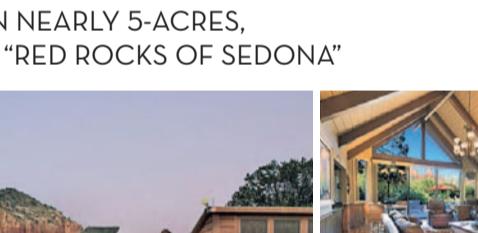
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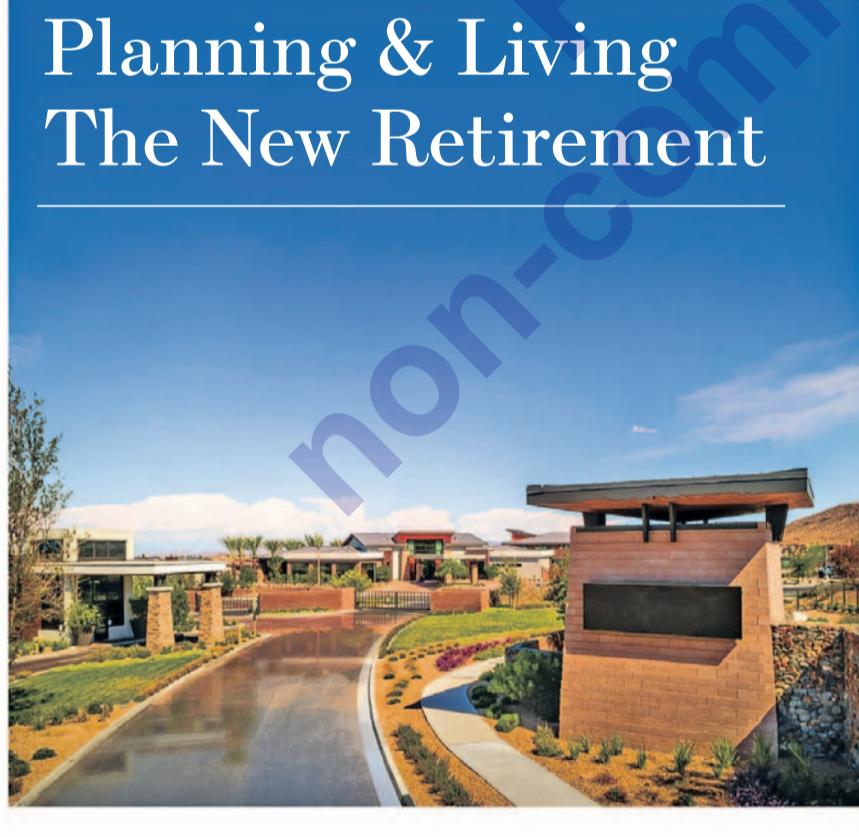
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Diet Entrepreneurs' Estate Seeks \$37 Million



RYAN ROSENE (2)

The trust of the late entrepreneurs who brought the Cambridge diet to the U.S. is listing an oceanfront estate in Pebble Beach, Calif., for \$37 million.

Located on 17-Mile Drive, the 2.8-

acre compound dates back to the mid-1920s and was designed by George Washington Smith, who was best known for his Spanish Colonial Revival style, said listing agent Shelly Mitchell Lynch of Carmel Realty Co.

The 15,418-square-foot main house reflects the architecture of southern Spain in its tile roof, large central courtyard and carved wooden ceilings. The main house has five bedrooms, six full baths and seven

half baths. The home looks out at the ocean as well as Point Lobos, and stone steps lead down to the water's edge.

The property, known as Villa Eden del Mar, also includes a 1,806-

square-foot guest house and a two-bedroom caretaker's house. There is a detached office, and a covered walkway connects the main house to the 3,651-square-foot gym.

The seller is the trust of the late diet and fitness entrepreneurs, Jack and Eileen Feather. Mr. Feather died in December at age 90. Mrs. Feather died in 2016 at 89. The couple bought the property in 1972, said their son, John Feather.

Originally from Omaha, Neb., the Feathers moved to California, where they started a gym and then expanded to a chain of salons, a mail-order company and later introduced a liquid diet called Cambridge Plan International, Mr. Feather said. He said the family is no longer affiliated with the diet, now known as Cambridge Weight Plan.

Ms. Lynch shares the listing with Bill Mitchell, also of Carmel Realty Company.

—Sarah Tilton

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Real Estate Trends

How Golf Can Improve Your Business Game

Next Friday, April 6, *The Wall Street Journal's* Mansion section will take a look at golf getaways — everywhere from California to Dubai — and the changing market for luxury golf properties around the world.

That makes me think of a former colleague who used to do a fair amount of business on the links. "I consider it four hours spent with a great client," he would say, with a smile.

Now, I'm no Jordan Spieth, but I do know that there are a lot of interesting parallels between business and swinging a club. And, to my colleague's point: Where else can you get four uninterrupted, pleasurable hours anywhere these days?

In the event you find yourself playing a round with a client, here are a few common-sense rules to consider:

Never lose sight of the fact that golf is a leisure activity, so stay aware that the game may need to come first.

At the same time, take full advantage by watching, learning and using this positioning opportunity wisely. For example: Is your golfing companion cautious, or more prone to taking risks? Perhaps they're talkative, or maybe focused and serious. Observe what could be an interesting window into their approach to business.

Nonverbal communication can be important, and patience says a lot about respect. Be honest, and project the image you want your golf partner to see. That means no sandbagging, or bringing win-at-all-costs attitudes onto the course. Consider the game a grand opportunity to follow up with a personal memento of the day and, maybe, an opening to build

a relationship beyond the round.

It has been said that deals are rarely closed on the course. However, playing golf often provides an interesting road map of observations to work strategies around later.

And who knows: The fresh air and exercise might be just the ticket.

Inside today's *Wall Street Journal*, March 30, inserted as a paid supplement inside North Texas subscriber copies, there is something quite special: our latest issue of *B*, the luxury lifestyle magazine we publish at Briggs Freeman Sotheby's International Realty. This one is a real page-turner, full of fascinating stories about private places, from a tiny Dallas apartment that lives like a manor house to an exclusive look inside the design department of Dickies, the great Fort Worth-based workwear company whose story just keeps getting better — and more global. It's all paired with some of our most intriguing listings, everything from mansions to ranch land. Enjoy every page.

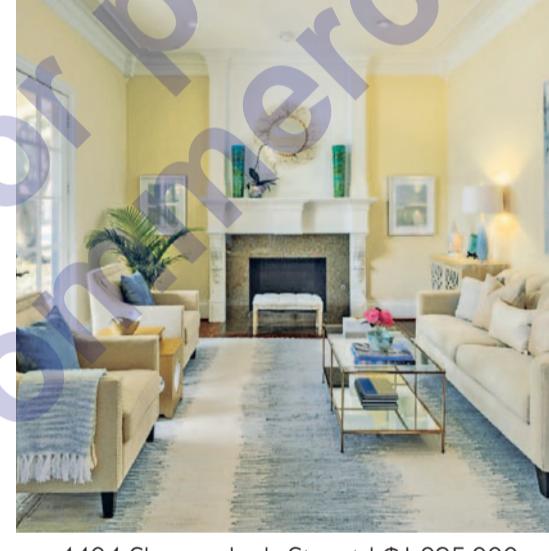

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MANSION

SHHHHH. THE PRICE IS A SECRET

MANHATTAN Developer Arnon Katz is marketing unfinished space atop Hampshire House with a price available upon request. Above, a rendering of a 10,000-square-foot penthouse.

Continued from page M1
to a select group of agents and individuals around the world who would be interested...and allow them to come to us with what they feel it's worth."

Reasons vary for the "price-upon-request" strategy. Like Mr. Katz, some sellers want the market to set the price. Others say they want to maintain a degree of privacy from nosy friends and neighbors in an increasingly transparent real-estate market.

Still others are trying to cultivate a sense of mystique or exclusivity around the property. And in some instances, the tactic can also reflect a disagreement between the agent and the seller over the listing price.

Still, some real-estate marketing experts advise against the strategy, saying it creates an obstacle to getting a deal. Since listings

websites such as Zillow, Trulia and Realtor.com don't accept unpriced properties, the number of people who see the listing is significantly limited.

"I tell clients it's like being half pregnant," said Bradley Nelson, senior vice president of marketing at Sotheby's International Realty, noting that the model is more common in commercial real estate. "Do you want to sell your house or do you not want to sell your house? You have to decide."

In Los Angeles, real-estate agents Gloria Castellanos and Mauricio Umansky say they're marketing an unfinished home that measures nearly 12,000 square feet. The current owner, Daniela Frittella, began construction of the eight-bedroom, 10-bathroom home several years ago but didn't finish it. Now, she is looking for a buyer to come in and finish it off, but decided to withhold

the asking price in an effort to get the highest offer.

Ms. Castellanos says she believes the approach has thus far cultivated a level of intrigue and given her client the opportunity to test the market based on feedback from prospective buyers. They may choose to attach a listing price later in the process, she said. Mr. Umansky said the tactic was useful since the asking price becomes a moving target when factoring in a buyer's budget to complete the work.

Similarly, Charles Pence of Pence Hathorn Silver, a real-estate agent in Santa Monica, Calif., says he typically lists properties without formal price tags when they're spec homes that are still under construction and might take some time to complete. "If you set a price and then the market creeps up and you have to reset it, it will look bad to the buyer community," he says.

"You want to avoid a paper trail."

Although not new, the strategy is seldom used today.

"It's a throwback to an old marketing technique from when it used to be unfashionable to talk about your listing price. Like going to a high-end restaurant with no prices on the menu, if you had to ask what it cost, you couldn't afford it," said New York appraiser Jonathan Miller. "It doesn't fit with the current orientation of the market, where there's been no shame in wildly overpricing your property and parading it around."

Despite misgivings, some owners have had unexpected success with the strategy.

In Palo Alto, Calif., real-estate agent Michael Dreyfus listed a home in 2015 with a price available upon request. The seller wanted more than \$7.5 million. But Mr. Dreyfus said that \$5.5 million

was a more logical asking price considering the size of the home—at just 3,375 square feet.

However, the interiors, designed by hospitality architect Robert Glazier, best known for designing Four Seasons hotels, were stunning, Mr. Dreyfus said. If he could just get buyers through the door, he knew someone would fall in love with the home—and consider the seller's \$7.5 million asking price.

"I didn't want the price to shape the opinion of the home, and I felt that at \$7.5 million—and I did get laughed at a bit—I would be playing defense rather than trying to create interest," he said. "I wanted someone to see the home, have that experience and then tell them the price."

Indeed, one prospective buyer returned several times even after learning the asking price. He bought the house for \$7 million.



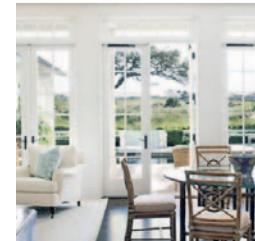
SPAN ARCHITECTURE AND VIEWPOINT (TOP); BERNARD ANDRE (2)

PALO ALTO, CALIF. Real-estate agent Michael Dreyfus listed a home in 2015 with a price available upon request. The seller wanted more than \$7.5 million, and the home sold for \$7 million.

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