

# THE WALL STREET JOURNAL.

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DJIA 24895.21 ▲ 93.85 0.4%

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▼ \$1.03

GOLD \$1,319.90 ▼ \$6.10

EURO \$1.2313

YEN 106.21

## What's News

### Business & Finance

**M**ortgage rates rose to their highest level since 2014, with the average 30-year rate hitting 4.46%, posing a challenge to the housing market. **A1**

◆ **Cigna's \$54 billion deal** for Express Scripts is the latest sign that the biggest health-care firms no longer think they can go it alone. **B1**

◆ **Disney shareholders** voted down a nonbinding endorsement of CEO Iger's pay after a December raise. **B1**

◆ **Kroger shares fell 12%** as the grocer's investment in online operations cut into profit margins. **B1**

◆ **Chinese firms** trying to list shares on the country's stock exchanges are facing stricter rules, with many applications rejected. **B1**

◆ **Wynn will pay \$2.6 billion** to settle a suit with a firm that once held a 20% stake in the casino giant but was forced to give up its shares. **B5**

◆ **U.S. stocks rebounded** after the White House said tariffs on metals would spare some allies. The Dow rose 93.85 points to 24895.21. **B11**

◆ **Japan punished** several cryptocurrency exchanges after an apparent \$530 million heist at Coincheck. **B11**

◆ **Credit-reporting firms** will be required to let consumers freeze data access for free under a new bill. **B10**

◆ **Lehman caused \$2.4 billion** in damages to investors holding mortgage-backed securities, a judge ruled. **B10**

◆ **Uber is in talks** to turn over most Southeast Asia operations to rival Grab. **B4**

### World-Wide

◆ **North Korean leader Kim** invited Trump to make an unprecedented visit to North Korea, and the president has agreed to meet by May. **A1**

◆ **Trump signed** tariffs on steel and aluminum but suggested a number of countries would be spared and signaled pressure on China. **A1**

◆ **The administration** asked Beijing for a plan to reduce the annual trade gap with China by \$100 billion. **A4**

◆ **Russian-backed "trolls"** flooded social media after the 2016 election to try to block Romney from a Trump administration post. **A5**

◆ **A meeting** in the Seychelles before Trump's inauguration between a Russian executive and a top GOP donor has drawn Mueller's scrutiny. **A2**

◆ **U.S. lawmakers** are broadening their probe into the gymnastics sex-abuse scandal to encompass all Olympic sports. **A3**

◆ **A late winter storm** downed trees, disrupted travel and interrupted power on the East Coast for the second time in a week. **A3**

◆ **The White House** and congressional Republicans are pushing for antiabortion provisions in a spending bill, splitting lawmakers. **A3**

◆ **Britain vowed** to respond to the attempted murder of a Russian double agent living in Britain if the attack was attributed to Moscow. **A7**

◆ **Manafort pleaded** not guilty to tax-and bank-fraud charges in federal court in Virginia. Trial is set to begin July 10. **A2**

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## U.S. NEWS

# Household Net Worth Nears \$100 Trillion

Rising stock prices, home values extend record, but saving rate 'a little worrying'

By HARRIET TORY

Americans' wealth pushed further into record territory in the final quarter of last year, hitting nearly \$100 trillion thanks to rising stock markets and property prices.

Household net worth—the value of all assets such as stocks and real estate minus liabilities such as mortgage and credit-card debt—rose more than \$2 trillion last quarter to a record \$98,746 trillion.

U.S. households also saw their net worth rise to nearly

seven times their disposable personal income in 2017, swelling past earlier prerecession peaks.

The ratio of wealth to income is "at pretty dizzying levels right now," JPMorgan Chase economist Michael Feroli said.

What's more, the rate at which Americans are saving is "a little worrying," he said. The saving rate was 3.74% for 2017, down from 5.98% a year earlier and 7.19% in 2015.

Previous busts—in the early and late 2000s—were preceded by periods of rising asset values and low saving, and the current wealth-to-income level surpasses that seen in the run-up to earlier recessions.

Household wealth hit a level of just over six times

disposable income in the first quarter of 2000, a year before the economy tipped into recession when a tech-stock bubble burst. Wealth touched 651.8% of disposable income in the first quarter of 2006, less than two years before the souring housing boom triggered a recession that began in December 2007.

However, household debt hasn't run up as fast in this cycle as it did in the 2000s, and stock valuations aren't as high this cycle as in the 1990s stock boom.

Thursday's report underscored the extent to which rising stock and real-estate prices are boosting household wealth, as the current economic expansion nears its ninth anniversary.

Stocks had a banner year

in 2017, with the S&P 500 rising 19% and the Dow Jones Industrial Average gaining 25%. Household wealth in the stock market climbed by \$1.346 trillion in the fourth quarter.

Meanwhile, the value of households' real estate increased \$511.2 billion, reflecting continuing increases in home prices. U.S. house prices rose 1.6% in the fourth quarter, according to the Federal Housing Finance Agency's house price index, and rose 6.7% on the year.

In addition to the buffer from home equity, households also have \$9.272 trillion in deposits, which include checking and savings accounts and certificates of deposit.

The quarterly Fed report, known as the flow of funds,

presents its data only in aggregate, providing no details on how assets are distributed among households. It tracks the aggregate wealth of all U.S. households and nonprofit organizations, although nonprofits make up a relatively small proportion of household wealth. The figures aren't adjusted for inflation.

Separate data from the Fed suggests the gap between the wealthy and others has continued to widen in recent years. The share of wealth held by the top 1% rose to 39% in 2016, up from 30% in 1989, according to the Fed's survey of consumer finances, which is conducted every three years.

Household debts rose at an annual rate of 5.2% in the fourth quarter, with liabilities

increasing by \$208.6 billion. Borrowing has continued to climb even as the Fed has been gradually raising short-term interest rates, making mortgages, home-equity lines and other loans more expensive.

The central bank nudged its benchmark interest rate a quarter percentage point higher three times in 2017, to its current range between 1.25% and 1.5%.

Fed Chairman Jerome Powell in February said that "if you look at the financial-stability situation broadly, we do see some high asset prices."

"What we don't see is the buildup of leverage among households," he said in testimony to Congress, adding "the financial-stability picture shows at most modest risk."

## Around the U.S., Women Have Their Day



CELEBRATION TIME: People rallied inside the Utah Capitol building for International Women's Day on Thursday in Salt Lake City.

## U.S. WATCH

### MUELLER INVESTIGATION

#### Manafort Pleads Not Guilty to Fraud

Paul Manafort, President Donald Trump's former campaign chairman, pleaded not guilty to tax- and bank-fraud charges in federal court in Virginia on Thursday, setting up the prospect of back-to-back trials stretching through the summer into Mr. Manafort's business dealings.

U.S. District Judge T.S. Ellis scheduled the trial beginning on July 10. Prosecutors had asked for the trial to come before a related trial that Mr. Manafort is set to face in Washington in

September, while Mr. Manafort's lawyer had asked for a November date. Judge Ellis also placed Mr. Manafort under home-confinement requirements in addition to those imposed by the Washington court, including an additional bracelet monitor, saying Mr. Manafort had substantial assets and ties abroad. "He is a risk of flight," the judge said.

Mr. Manafort's plea comes days after his former business partner, Richard Gates, pleaded guilty in connection with the Washington case and agreed to cooperate in special counsel Robert Mueller's investigation into alleged Russian meddling in the 2016 election.

—Aruna Viswanatha

### TRUMP ADMINISTRATION

#### Official Reins In Idaho Insurance Plan

The Trump administration will step in to enforce the Affordable Care Act's requirements in Idaho if the state doesn't back down on its plan to allow the sale of skimpier, less expensive insurance products, a top health official told Idaho on Thursday.

"We sincerely appreciate your dedication to the people of Idaho and your efforts to address the damage caused by the PPACA," wrote Seema Verma, the administrator of the Centers for Medicare and Medicaid Services. Her agency oversees implementation

of the 2010 health law, formally called the Patient Protection and Affordable Care Act and popularly known as Obamacare.

"However, the PPACA remains the law and we have a duty to enforce and uphold the law," Ms. Verma's letter says.

Idaho officials didn't immediately respond to a request for comment.

The standoff between the state and the Trump administration has lasted for several weeks.

Idaho's Department of Insurance said in January it would allow insurers in the state to offer products that left out some of the benefits mandated by the ACA for individual coverage.

—Louise Radnofsky

#### On the Rise

U.S. 30-year fixed mortgage rate, weekly average



Source: Freddie Mac

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have occurred with mortgage rates and declines in home prices.

"It takes a pretty big rise in mortgage rates to offset the strength in the economy that causes rates to rise," said David Berson, chief economist at Nationwide Insurance and a former chief economist at Fannie Mae.

Economists expect renters who want to become homeowners will still try to do so, although they may have to look for cheaper homes or make other spending changes. Economists believe mortgage rates would have to rise to roughly 6% before they start to significantly affect borrowers' decisions about whether to buy a home or what they can afford.

However, in higher-cost markets, such as New York City and San Francisco, higher rates can have a bigger effect given that loan balances are larger. A 3.5% rate on a \$500,000 loan would create a monthly payment of \$2,245, according to LendingTree Inc., an online loan information site. At 4.5%, the monthly payment would be \$2,533. (That excludes taxes and insurance.)

Rising rates tend to have a bigger impact on the market for refinancing existing mortgages. The Mortgage Bankers Association expects mortgage-purchase originations to increase about 7% this year.

It forecasts the refinancing market, which is smaller, to plunge by nearly 28%, adding to a sharp drop in 2017.

Historically, there is little correlation between the level of the increases that recently

## Trump Donor's Meeting Draws Mueller Scrutiny

BY REBECCA BALLHAUS AND ARUNA VISWANATHA

A meeting in the Seychelles weeks before Donald Trump's inauguration between a Russian executive and a top Republican donor close to the Trump transition team has drawn the scrutiny of special counsel Robert Mueller, who has heard testimony that appears to conflict with an account of the same meeting given earlier to House investigators, according to people familiar with the matter.

Mr. Mueller's investigators have heard testimony from a witness that the donor, Erik Prince, wasn't introduced to the Russian by intermediaries from the United Arab Emirates, as he had told the House panel, the people said.

Mr. Prince, founder of the Blackwater security firm, told the House Intelligence Committee in November that he had traveled to the Seychelles to meet with Mohammed bin Zayed, crown prince of the United Arab Emirates, and his associates to discuss "potential business in the future," according to a public transcript released by the panel, which is investigating Russian meddling in the 2016 presidential election.

During his stay in January 2017, Mr. Prince said he also met with the Russian executive, Kirill Dmitriev. Mr. Prince told lawmakers that the meeting with Mr. Dmitriev was a short, chance encounter at the hotel bar and was arranged by a member of Mr. Zayed's delegation.

A spokesman for Mr. Prince and a spokesman for the special counsel declined to comment. Mr. Nader couldn't be reached for comment. The White House didn't respond to a request for comment.

The Washington Post reported Wednesday that Mr. Mueller has evidence that the meeting was an effort to create a back channel between the Trump team and Russia.

Mr. Prince contributed more than \$280,000 to pro-Trump entities, according to Federal Election Commission records.

## CORRECTIONS & AMPLIFICATIONS

Peterson Institute for International Economics was incorrectly called Peterson Institute of International Economics on Monday in a Page One article and The Outlook column, both of which were about proposed steel and aluminum tariffs.

Former KGB spy Alexander Litvinenko was poisoned in 2006 with polonium-210, a

deadly radioactive isotope of the element polonium. A Page One article on Thursday about the recent suspected poisoning of a former Russian intelligence officer incorrectly said polonium is an isotope. The same error appeared in a World News article on Wednesday about the suspected poisoning and in a Jan. 22, 2016, World News article about Mr. Litvinenko's poisoning.

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

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## U.S. NEWS

# Challenge to Food Stamps In Wisconsin

By SHAYNDI RAICE

Wisconsin is relying on an unusual argument to tie new work requirements to food stamps: It says it needs the workers.

The governor is expected to sign legislation in the coming weeks that would require people with school-age children who receive food stamps to work 30 hours a week.

Behind Republican Gov. Scott Walker's argument is Wisconsin's unemployment rate, which hit a historically low 3% in December. The labor force grew 1.2% in 2017, and the state's jobs listings website shows nearly 100,000 positions unfilled. Gov. Walker believes some of the 925,000 people on the state's Food-Share program could help.

"We can't afford to have anybody on the sidelines," Gov. Walker said in an interview. "This is as much as anything a workforce issue."

The White House and other states are also considering more stringent work requirements for welfare recipients. But while President Donald Trump and Agriculture Secretary Sonny Perdue have both made a more traditional conservative argument against welfare benefits, saying some recipients use government assistance to avoid work, Mr.

## Back to Work

Wisconsin's unemployment rate is at a 10-year low.



Source: Labor Department

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Walker has focused instead on economics.

"This is the first time I've seen this rhetoric as a reason for work requirements," said Craig Gundersen, an economist at the University of Illinois at Urbana-Champaign who studies the federal food stamp program. He said he is skeptical that benefit recipients will be able to fill the worker shortage if employers are searching for high-skilled workers.

Anti-hunger advocates say there is limited evidence that the state's job-training program is successful in getting people stable, well-paying work, and that new work requirements will mean more people will go hungry.

National welfare reform has historically passed in periods of low unemployment, such as



New legislation in Wisconsin would require people with school-age children who receive food stamps to work and attend job training.

in 1996, said Elaine Waxman, senior fellow at the Urban Institute, a Washington, D.C.-based think tank. Ms. Waxman said by focusing on the economy, proponents of the legislation can shift the discussion away from the bill's negative impact on low-income families.

The move comes amid broader Republican efforts to cut welfare benefits. In January, Mr. Perdue said tightening work requirements for recipients of the Supplemental Nutrition Assistance Program, or SNAP, is a priority in the next U.S. farm bill.

States including Missouri and New Hampshire are weighing similar measures.

"I would say to anti-hunger advocates across the nation to really be ready, because it's coming," said David Lee, exec-

utive director of Feeding Wisconsin, a statewide network of food banks.

Wisconsin waived work requirements for food assistance in 2008 under Democratic Gov. Jim Doyle. Mr. Walker reinstated them in 2015, requiring adults without dependents to work 20 hours a week and attend a job-training program. After the rules were imposed, some 25,000 food-stamp recipients entered the job market. Another 86,000 either lost their benefits after failing to meet the new requirements or no longer needed government assistance.

The current bill extends the requirements to people with children over 6 years old, and requires 30 hours of work a week. Participating in the state's job-training program is mandatory but time spent there

counts toward the 30-hour requirement. The legislation is estimated to cost about \$70 million annually, according to a state fiscal analysis. Parts of the law would require waivers from the federal government before being implemented.

The Wisconsin bill received no support from the 49 Democrats in the 132-member legislature, a sign that other states without Republican-controlled legislatures could struggle to pass similar legislation. Federal efforts could face similar hurdles, with only a slight Republican majority in the Senate.

In Wisconsin, a household of four would need to make less than \$2,050 a month in net income to qualify for the state's program. That family would receive a maximum of \$640 toward food.

Many in the program are low-wage workers in unstable or temporary jobs, making it challenging for some to reach a 30-hour workweek. Some may also face challenges with transportation or child care.

Tyie Andino, 50, enrolled in the state's job-training program so she could receive food benefits, but she missed several appointments after a friend became sick. When she tried to enroll again, Ms. Andino was told she had to retake classes. She dropped out, and her food benefits were taken away. Ms. Andino is now homeless.

"It's a waste of time," she said. "Some of us don't know how to complete an application, some of us don't have skills, but some of us do.... We don't need to be doing these classes."

## Shooting Response Detailed In Timeline

By ARIAN CAMPO-FLORES AND JON KAMP

From the time accused gunman Nikolas Cruz started shooting at Marjory Stoneman Douglas High School in Parkland, Fla., 11 minutes passed before law-enforcement officers entered the building, according to a timeline released by the Broward County Sheriff's Office.

Even after Mr. Cruz allegedly left the scene where 17 people were killed, it took nearly five minutes more for law-enforcement personnel to go into the building, according to the timeline released by the Broward County Sheriff's Office.

The chronology, along with newly released audio calls, provides the most detailed account so far of the frantic and confusing scene at the school on Feb. 14. It is based on a review of more than 150 calls to 911, security-video footage and Broward sheriff and Coral Springs radio communications.

The Broward sheriff's office is facing scrutiny over its response to the shooting as well as to prior warnings about Mr. Cruz, whose disturbing behavior had been reported to various authorities. Last month, Gov. Rick Scott ordered the Florida Department of Law Enforcement to investigate the sheriff's handling of the case.

On Wednesday, a Broward County grand jury indicted Mr. Cruz, charging him with 17 counts of premeditated murder and 17 counts of attempted murder. The shooting—one of the worst in U.S. history—has prompted a national debate on gun control, mental illness and school safety.

According to a court filing Thursday, Mr. Cruz withdrew his prior not-guilty plea and now stands mute to the charges. The one-page filing from his attorney says the written plea of not guilty was filed prematurely before formal charges were filed.

On the radio logs, various officers discussed injured students found outside, uncertainty about where the shooter was and the need to create a perimeter. The sheriff's office and Coral Springs police were unable to merge their systems and communicate over a common channel before law-enforcement officers entered the school building.

## After Abuse, Olympic Sports Face Scrutiny

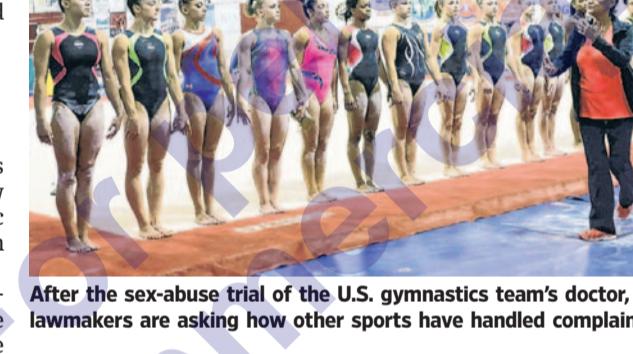
WASHINGTON—U.S. lawmakers are broadening their investigation into the gymnastics sex-abuse scandal to encompass all organized

By Louise Radnofsky, Rachel Bachman and Melissa Korn

Olympic sports in the U.S., as well as asking tough new questions of the U.S. Olympic Committee and Michigan State University.

"Based on information received to date, the Committee is concerned that a pervasive and systemic problem exists in Olympic sports," legislators on the House Energy and Commerce Committee wrote in letters sent Wednesday to 48 national governing bodies from USA Archery to USA Wrestling.

The letters ask how each organization handles sex-abuse complaints and whether the USOC had rec-



After the sex-abuse trial of the U.S. gymnastics team's doctor, lawmakers are asking how other sports have handled complaints.

ommended changes in their policies or procedures since 2005.

The investigation is the latest and potentially most far-reaching fallout from the allegations of sexual assault against former U.S. gymnastics team physician Larry Nassar. The American amateur-sports establishment has been rocked by questions

over how USA Gymnastics and the USOC handled initial complaints from elite gymnasts against Dr. Nassar, including a five-week delay before alerting law enforcement.

Subsequent revelations emerged after the 2016 Rio Games when state prosecutors filed child-sexual-abuse charges against him. Dr. Nassar pleaded guilty to those

charges, as well as federal child-pornography charges, and has been accused by more than 150 women of abusing them under the pretense of providing medical treatment.

The Federal Bureau of Investigation is undertaking its own review into the bureau's handling of the case.

The House Energy and Commerce Committee has jurisdiction over amateur sports. The House Oversight and Government Reform Committee is separately investigating many of the key institutions caught up in the Nassar scandal.

In the letters Wednesday, legislators asked interim university President John Engler to turn over information about the number of cases and investigations opened by Michigan State into sexual abuse by their employees.

The previous university president, Lou Anna Simon,

resigned in January after months of questions over what administrators knew about the allegations by student athletes, and when.

The school's athletic director and general counsel have also stepped down in recent months.

"We will continue to provide our full cooperation with this committee and other pending congressional inquiries," said Michigan State spokeswoman Heather Swain.

The lawmakers are also asking the acting head of the U.S. Olympic Committee, Susanne Lyons, to submit information about the USOC's sexual-abuse policies and the efforts of its Center for Safe Sport, which launched last year after a series of delays.

A USOC spokesman, Patrick Sandusky, said the organization had been cooperating with Congress on these issues for more than a year "and we will continue to do so."

## Abortion Provisions Lead to Tensions Over Spending Bill

By KRISTINA PETERSON AND STEPHANIE ARMOUR

WASHINGTON—A push from the White House and congressional Republicans to add new antiabortion provisions into a sweeping spending bill has divided lawmakers as they work to reach a deal that will fund the government beyond mid-March.

Republican lawmakers want to expand restrictions that already prevent federal funding from going to abortions, and they also want to fully cut federal funding to Planned Parenthood Federation of America, which has long been a target of conservatives.

But Democrat lawmakers said the demands are deal breakers they can't support—and will battle with Republicans in the coming days over what is included in the spending bill needed before the government's current funding expires on March 23.

Republicans, who control both chambers of Congress and the White House, argue their majorities should enable them to secure conservative policy wins that are key issues with their voters.

"Whether we can get 100% of everything we want? Obviously that's not possible," said Rep. Robert Aderholt (R,

Ala.), a senior member of the House Appropriations Committee. "But we have the House, the Senate, we have the presidency. Republicans should be able to get a good many wins in the bill."

But Democrats whose votes are critical for any spending deal agreement have said they consider the provisions to be major hurdles, which they are determined to block in the final stretch of negotiations.

*Congress needs to reach a deal before government funding runs out this month.*

While Republicans have sought in the past to curb Medicaid funding to Planned Parenthood, they now want to cut off all money the organization gets from federal programs.

Republicans have "thrown a wrench" into bipartisan health-care negotiations "to cater to their far-right ideological base," said Sen. Patty Murray of Washington, the Senate Democrat leading health-care negotiations in the bill.

Congress has already passed a bipartisan bill setting the overall funding level for the spending bill, boosting it above levels agreed to in 2011.

Now lawmakers are hashing out the details of the bill that would map out specifically how the federal government can spend those funds—in essence, figuring out how to divide up the paycheck.

The standoff over abortion risks torpedoing a hard-fought bipartisan plan that would shore up the ailing Affordable Care Act markets.

Part of that plan, championed by Sens. Lamar Alexander (R., Tenn.) and Ms. Murray, would restore billions of dollars to insurers that offer subsidies to low-income consumers. President Donald Trump in October halted the payments, saying they were illegal. Many lawmakers want to restore them to curb rising premiums.

GOP lawmakers, however, only want to give the restored payments to insurers that don't also offer plans covering abortions. Democrats have said that would put first-of-a-kind federal restrictions on private insurers and deprive women access to abortion.

—Michelle Hackman contributed to this article.

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## U.S. NEWS

# Trump Brings the GOP to Moment of Truth



## CAPITAL JOURNAL

By Gerald F. Seib

As President Donald Trump prepares to impose hefty tariffs on imported aluminum and steel, there are two important things to remember: First, this is a moment of truth for the Republican party on economic policy. Second, it was inevitable.

**F**rom the beginning, the Trump administration has represented an attempt to weld together establishment and populist economic thinking. It was possible for the two to coexist when the agenda was dominated by debates on health care, which isn't central to either philosophy, and tax cuts,

where the two sides could come together.

Yet the marriage was always an uneasy one, and the deep divide was bound to burst to the surface when the agenda turned to immigration and trade, as it has this year. Any administration staffed on the one side by National Economic Council head Gary Cohn, alumnus of Goldman Sachs and personification of the establishment's beliefs in globalization, and on the other side by Commerce Secretary Wilbur Ross and White House adviser Peter Navarro, personification of a belief in a new economic nationalism, was always headed for a family feud.

The only thing delaying the feud was the wait for the president to decide where his true allegiances really lie: with the globalists and the GOP's core business supporters, who have been so happy with his tax cut and deregulatory impulses, or with the populist voters who propelled him to office in part because of his promises to attack "unfair" and "stupid" trade deals. He has tried to have it both ways and, true

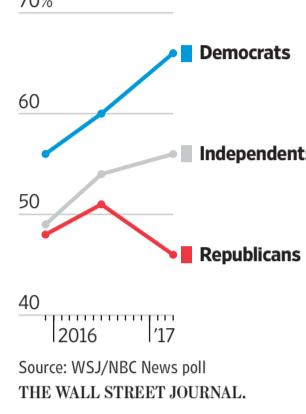
to form, made it hard to know where rhetoric ends and true beliefs begin.

Now, the president appears to have made his choice—prompting Mr. Cohn to resign and presenting his party with its own choice, one its congressional wing had badly hoped to avoid. Most Republicans in Congress grew up in a party deeply devoted to the belief in free trade and open markets and opposed to the kind of protectionist action Mr. Trump's new move represents. That came into plain view in the form of a letter signed by more than 100 GOP House members expressing misgivings about the president's course, and a personal statement from House Speaker Paul Ryan that began, "I disagree."

Mr. Trump appears willing to temper his move to impose a 25% tariff on steel imports and a 10% tariff on aluminum imports by exempting, at least temporarily, imports from Canada and Mexico, and by declaring a willingness to be "flexible" in negotiations with other allies. But the impulse on Canada and Mexico is driven less

### Shifting Winds

The share of Republicans, Democrats and independents who say free trade is good for the country:



Source: WSJ/NBC News poll

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by a philosophical commitment to open trade than by a desire to use the threat of lowering the tariff boom to force renegotiation of the North American Free Trade Agreement.

That means, among other things, the Republican Party has arrived at a crossroads. Some may argue that what Mr. Trump is doing isn't all that different from what one

previous GOP president, Ronald Reagan, did when he punished Japan for its trade practices, and another, George W. Bush, did when he imposed his own version of steel tariffs.

In fact, though, Mr. Trump's move "is really very different," says Tony Fratto, a former official in the Treasury Department and the White House in the George W. Bush administration.

**F**or starters, Mr. Trump is acting against imports not by using legal authority designed to provide narrow and temporary relief to an industry being hurt by unfair trade practices abroad, as Mr. Bush did. Instead, the president is acting under a provision that declares imports of aluminum and steel a threat to U.S. national security, a much broader and less transparent process that could open the way to more actions in other sectors.

An even bigger difference, Mr. Fratto says, is that "both Reagan and Bush really were free traders" who took their actions as steps to buy political support at home that in

turn would help them move on to bigger free-trade agreements. Mr. Reagan was trying at the same time to negotiate a new global free-trade pact and a free-trade agreement with Canada. Mr. Bush was proposing a series of free-trade agreements, both bilateral and multilateral, while he moved on steel.

Both, in short, were trying to show to skeptical industries and workers they could be tough in enforcing free-trade deals even while trying to cut new free-trade deals.

"Trump is in a different place," Mr. Fratto says. "He's not trying to expand trade agreements. He's trying to roll them back."

Politically, the key question is whether the rest of the Republican Party follows him. Wall Street Journal/NBC News polling has shown a slight decline in support for free trade among Republicans in recent years. Still, the party is split. When asked a year ago whether free trade was good or bad for the country, 46% of Republicans said it was good and 48% bad. Mr. Trump is making that more than an academic question.

## The Man Behind the New Tariffs

BY BOB DAVIS

**W**Ashington—For Peter Navarro, President Donald Trump's trade guru, it has been quite a turnaround.

Last spring, he was running the White House's Office of Trade and Manufacturing Policy, an impressive-sounding group that consisted of himself and an aide in a single room in a building across the alley from the Oval Office. He couldn't persuade the White House to hire him an administrative assistant, and he reported to the president through his rival, National Economic Council Director Gary Cohn.

The White House, the 68-year-old told some visitors, was like the bloody TV series "Game of Thrones," and he was dodging arrows. The "deep state"—conservative lingo for the Washington bureaucracy—was trying to torpedo the president, he complained.

Now, Mr. Cohn has resigned. After lobbying by Mr. Navarro, the president on Thursday signed proclamations imposing heavy tariffs on steel and aluminum. White House officials say Mr. Navarro is in the running to replace Mr. Cohn, who fought against the tariffs. Next on the president's trade agenda are possible sanctions on China for intellectual-property violations—a longtime goal of Mr. Navarro, who came to candidate Trump's attention with his anti-Beijing books.

During the presidential campaign, Mr. Navarro and billionaire investor Wilbur Ross, now the commerce secretary, put together Donald Trump's trade and economic plan.

"The president—he's the man who leads. He says, 'I want to do this. How do we do



White House trade adviser Peter Navarro, right, has seen his stature rise in the administration.

it?'" Mr. Navarro said in an interview. "The way I help is figuring out how you might do it."

Mr. Navarro was the campaign's only Ph.D. economist and had left a tenured position at the University of California, Irvine. Before Mr. Trump took office, he named Mr. Navarro to run a new National Trade Council, which was seen as being on a par with the NEC and the National Security Council.

George Mason University economist Tyler Cowen says Mr. Navarro's early academic work, which focused on energy policy and charities, was good enough "to be published in respectable journals." He says his work on China isn't up to that standard: "It's a polemic."

Mr. Navarro focused on China later in his career. In his book "Death by China," Mr. Navarro mixed incendiary lan-

guage—China is "turning into the planet's most efficient assassin"—with what have become fairly mainstream recommendations. They included stopping Beijing from pressuring U.S. companies to transfer technology to their Chinese partners and blocking Chinese state-owned firms from buying U.S. companies. The administration is following that line.

Early in his White House tenure, Mr. Navarro was boxed in. His National Trade Council—himself and his aide—busied itself trying to help individual companies with trade problems, not setting broad trade policy.

In April, the National Trade Council was disbanded and replaced by the less-grandiose sounding Office of Trade and Manufacturing Policy—still Mr. Navarro and his aide. The rebranding effectively demoted

him and confirmed that trade was being handled by Mr. Cohn's NEC.

"I don't worry about getting outmaneuvered," Mr. Navarro said then. "I just worry about getting things done."

He counted on what he considered a strong relationship with White House senior adviser Jared Kushner, and said in an interview he sometimes met one-on-one with Mr. Trump. He kept pushing for tariffs.

Mr. Cohn slowed the push for tariffs, but in the end Mr. Navarro won out because his views meshed with the president's. The president all along wanted tariffs, says Peter Morici, a University of Maryland economist who has long advocated a tougher U.S. trade policy. "That was Navarro's position. It's not that Navarro outmaneuvered anybody."

## President Presses China on Trade Gap

BY LINGLING WEI

**B**EIJING—The Trump administration is asking Beijing for a plan to cut the annual U.S. trade deficit with China by \$100 billion, according to people familiar with the matter.

President Donald Trump tweeted Wednesday that Washington had asked Beijing for a \$1 billion reduction—less than 0.3% of the countries' annual trade gap or around one day's worth of the trade imbalance. His tweet was off by \$99 billion.

According to the people, Trump administration officials made the request to Liu He, the main architect of China's economic policy, last week when he was in Washington. Mr. Liu said in his Washington meetings that narrowing the vast bilateral trade deficit was in China's interest as China seeks to shift away from an export-led growth model.

Cornell University economist Eswar Prasad, who was briefed by Chinese officials about the Liu visit, said they told him the U.S. was pressing for a reduction in the bilateral trade deficit by about one-third.

The tweet came at a time of rising global trade tensions, with the relationship between the world's two largest economies at the center. Having set new solar-panel tariffs in January, mainly aimed at China, Mr. Trump is now imposing stiff tariffs on all steel and aluminum imports to the U.S. The plan has stoked fears of a global trade spat and has drawn broad opposition from U.S. trading partners as well as some U.S. lawmakers.

The impact of the U.S. tar-

iffs on Chinese steel and aluminum makers is expected to be small. The Trump administration is also weighing broad trade and investment penalties against Beijing as it completes a probe into allegations of Chinese theft and expropriation of American intellectual property.

Meanwhile, China lashed out against the U.S. on Friday. China's Commerce Ministry said in a statement it "strongly opposed" the move. It urged the U.S. to withdraw the tariffs out of respect for the international trading order. It said it would evaluate the impact of the tariffs on China and "take effective measures to protect China's rights."

The China Iron and Steel Association called on Beijing to take measures against U.S. imports, including stainless-steel and electronic products, in response to the U.S. tariffs. The China Nonferrous Metals Industry Association, which represents aluminum makers, called for Chinese measures against U.S. imports such as farm products and high-end consumer products. Both industry associations also urged measures against imports of U.S. coal.

The wording of Mr. Trump's tweet was: "China has been asked to develop a plan for the year of a One Billion Dollar reduction in their massive Trade Deficit with the United States."

The tweet continued: "Our relationship with China has been a very good one, and we look forward to seeing what ideas they come back with. We must act soon!"

—Grace Zhu and Liyan Qi contributed to this article.

## TARIFF

Continued from Page One

"We lose \$800 billion a year on trade," he said in the White House Roosevelt Room, surrounded by cheering workers, referring to last year's U.S. trade deficit. "It's going to start changing—has to change."

He also vowed, without offering any details, a new broader global tariff regimen down the line, a "reciprocal tax," or a "mirror tax" that would aim to slap the same level of duties on trading partners that U.S. firms face in those countries.

For advocates of the long-standing U.S. support for free trade and globalization—a consensus of leaders of both the Democratic and Republican parties that Mr. Trump seeks to upend—Thursday marked a symbolic turning point, with the president signing controversial new trade restrictions a half hour after the leaders of 11 close U.S. trading partners met in Chile to sign the Trans-Pacific Partnership trade pact. President Barack Obama had spearheaded the deal but Mr. Trump pulled the U.S. out on one of his first days in office.

"While the TPP countries have today signed an agreement tearing down trade barriers, President Trump and his trade team are hard at work raising them," said Daniel Price, a senior White House economic aide in the George W. Bush administration.

The tariffs also drew harsh criticism from many of the same GOP lawmakers who worked closely with the White House through much of last year to push through a big tax cut. They warned the fallout from the tariffs could reverse the economic gains from that measure, and scrambled to figure out if there was a legislative way to rein in the president's power to impose new trade restrictions.

"I disagree with this action and fear its unintended consequences," House Speaker Paul Ryan said. While saying he was pleased with the prospect of some exemptions, the Wisconsin Republican added that "we will continue to urge the administration to narrow this policy." Arizona GOP Sen. Jeff Flake, who has regularly tangled with the president on trade, said he would "immediately draft and introduce legislation to nullify these tariffs."

The tariff policy was also highly contentious inside Mr.

Trump's administration, pitting economic nationalists like White House trade adviser Peter Navarro and Commerce Secretary Wilbur Ross—the chief architects of the policies—against free-trade advocates, notably White House National Economic Council director Gary Cohn. While the economic nationalists won the main war, the free-traders won a key skirmish by watering the policy down with the country exemptions, the source of last-minute intensive debates inside the White House as plans were being finalized over the past few days.

Earlier in the week, Defense Secretary Jim Mattis joined Secretary of State Rex Tillerson at a meeting with the aides crafting the tariffs, following pleas they had received from the U.K. and Canada, among others. Mr. Tillerson's spokesman said he "made clear the views of our allies with whom we have spoken."

Administration attorneys struggled to dovetail the request for exemptions with the president's stated rationale for the new tariffs, which was to declare a national security emergency invoking a little-used Cold War-era law giving

presidents wide discretion to block imports if they were deemed a threat to military readiness. If the tariffs were needed to protect the two industries and the nation, then approving exclusions seemed to undercut that argument, explained one person familiar with the internal debates.

One person fighting for the country exclusions was Mr. Cohn, who opposes the tariffs and tendered his resignation after he was excluded from meetings last week when the president decided to move forward with the import curbs.

The full scope and impact of



U.S. companies using steel and aluminum will have a process to seek exemptions from the tariffs.

NATALIE BEHRING/GETTY IMAGES

the tariffs now appear dependent on negotiations with allies likely to unfold in the coming weeks and months.

Both Canada and Mexico would be exempt from the outset, though their continued exemption would be contingent on the outcome of ongoing negotiations to rewrite the North American Free Trade Agreement as well as broader talks about security ties among the neighbors, a senior administration official told reporters ahead of an announcement.

The official didn't explain the process by which allies could seek exemptions, nor what considerations would factor into the decision to grant exemptions or tariff reductions. But it is likely that a long list of U.S. allies will seek exemptions, notably North Atlantic Treaty Organization members in Europe, and Japan and South Korea.

The administration official did say the White House remained committed to blocking a fixed amount of steel and aluminum from entering the country. So for every country given relief from the plan, the burden may have to be increased on the rest of the world.

—Michael C. Bender, Siobhan Hughes and Gordon Lubold contributed to this article.

## U.S. NEWS

# Russian Trolls Tried to Sink Romney Pick

BY ROB BARRY  
AND SHELBY HOLLIDAY

Weeks after Donald Trump was elected president, Russia-backed online “trolls” flooded social media to try to block Mitt Romney from securing a top job in the incoming administration, a Wall Street Journal analysis shows.

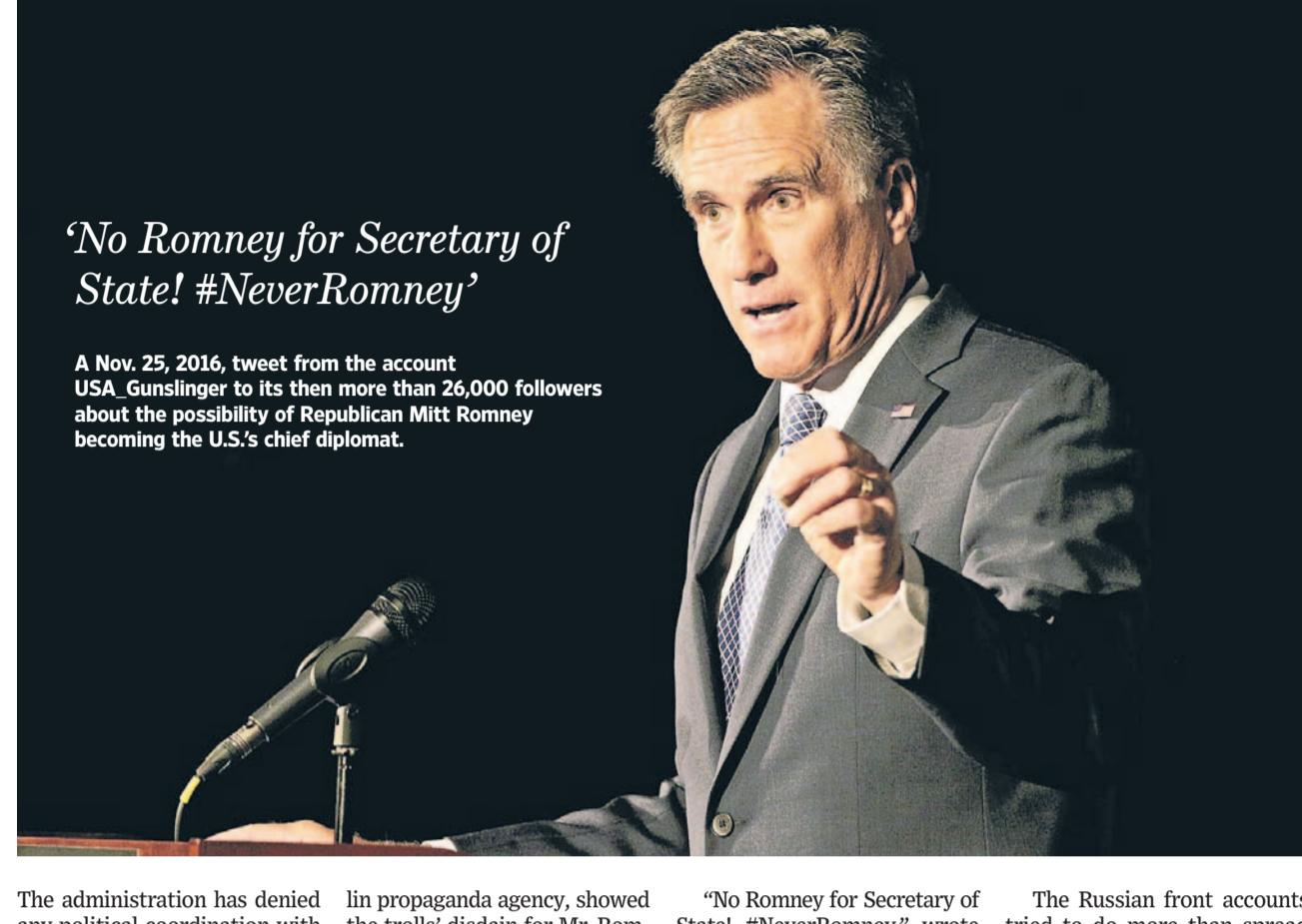
The operatives called the 2012 GOP presidential nominee, then a contender for secretary of state, a “two headed snake” and a “globalist puppet,” promoted a rally outside Trump Tower and spread a petition to block Mr. Romney’s appointment to the top diplomatic job, according to a review of now-deleted social-media posts.

The revelation comes alongside a new report, in the New Yorker, that alleges the Kremlin pressured then President-elect Trump to consider a candidate more favorable to Russian interests. Mr. Trump ultimately appointed former Exxon Mobil Corp. chief Rex Tillerson, who has said he has a “very close relationship with” Russian President Vladimir Putin, to lead the department.

Mr. Romney is a Russia hawk, saying during the 2012 campaign that the country was the U.S.’s “No. 1 geopolitical foe.”

“It’s not surprising that the Russian troll operation tried to do whatever it could to prevent [Mr. Romney] from being secretary of state,” said Ryan Williams, a political strategist and former Romney spokesman.

The White House didn’t respond to requests for comment.



GEORGE FREY/FAIRSHUTTERSTOCK

**‘No Romney for Secretary of State! #NeverRomney’**

A Nov. 25, 2016, tweet from the account USA\_Gunslinger to its then more than 26,000 followers about the possibility of Republican Mitt Romney becoming the U.S.’s chief diplomat.

The administration has denied any political coordination with Russia during the 2016 campaign, which is a focus of the special counsel investigation that has ensnared a number of Trump associates. Russia has denied having interfered in the election.

The Journal analysis, which included a review of now-deleted tweets as well as posts on Facebook and Instagram from accounts linked to a pro-Krem-

lin propaganda agency, showed the trolls’ disdain for Mr. Romney was clear. Several of the most popular accounts slammed the former Massachusetts governor in late November and early December 2016, encouraging their followers to take action.

The push came just as reports swirled that Mr. Romney could get the job, despite his harsh criticism of Mr. Trump during the 2016 campaign.

“No Romney for Secretary of State! #NeverRomney,” wrote the Twitter account USA\_Gunslinger on Nov. 25, 2016, to its then more than 26,000 followers. Around that time, Trump senior adviser Kellyanne Conway said Mr. Romney had been “nothing but awful” to Mr. Trump during the campaign, and tweeted that she was getting a “deluge” of negative comments about him from Trump loyalists.

The Russian front accounts tried to do more than spread messages on social media.

One group, “Being Patriotic,” which earlier purchased pro-Trump advertisements on Facebook, encouraged people to gather outside Trump Tower in New York City and protest Mr. Romney’s possible nomination, according to an event listing linked to the group. “We did NOT fight this hard to get backstabbing Romney as Secretary of

State! He will run it like the Clinton Foundation!” the post said.

The Being Patriotic account, which was booted from Facebook and other social-media platforms last fall, also used Instagram to bash Mr. Romney and promote Rudy Giuliani for secretary of state, according to reposts of the images.

Facebook, which also owns Instagram, didn’t respond to requests for comment. Twitter also didn’t respond to requests for comment.

Several Russian-linked Twitter accounts urged people to sign a petition on change.org. “Romney is everything we voted against when we voted Trump to #DrainTheSwamp! Sign the petition & RT #NeverRomney,” wrote TEN\_GOP, an account masquerading as the Tennessee GOP, on Nov. 30, 2016.

Mr. Romney, who is running in Utah for a U.S. Senate seat, said he doesn’t know why Mr. Trump didn’t pick him.

“I don’t know...why he chose to ask me to come in, or decided not to have me as his secretary of state,” Mr. Romney said. “I do believe it’s pretty clear that I’m not a fan of Vladimir Putin’s and I wouldn’t be surprised if he’s not a fan of mine either.”

Intelligence experts cautioned that the trolls’ messages aren’t proof of the Kremlin’s preference.

“In many cases the underlying objective is to create confusion and conflict,” said Sean Kanuck, the former head of cyber issues for the U.S. National Intelligence Council now with the International Institute for Strategic Studies.

## FROM PAGE ONE

## FROG

*Continued from Page One* might get data that isn’t completely relevant and could be difficult to analyze. Still, some scientists think even more public participation can help ease the workload.

Haley Andreozzi, who is overseeing the citizen-science effort in New Hampshire to map the range of rabbits, says she was surprised to get quite a few images of rabbit roadkill. The pictures are still useful for determining the range of the critters, though it can be harder to tell which rabbit species is in the photo. Scientists hope to learn more about the eastern cottontail, which has replaced the vulnerable New England cottontail in some areas.

“That’s kind of what keeps you on your toes; you don’t know what you’re going to open,” says Ms. Andreozzi, wildlife outreach coordinator at the University of New Hampshire Cooperative Extension. “You’re expecting people are



Researcher Jodi Rowley in the field collecting data.

going to submit a photo of a fuzzy, cute bunny.”

A similar effort from researchers at the University of Adelaide in Australia hopes to track echidnas, which resemble anteaters but are mammals that lay eggs like the platypus. An app also asks for scat samples to be mailed to the university for analysis, and advises users that they are “long and thick, very dry in texture and quite large too!” Scientists say

the samples can help them learn about echidna health, diet and stress levels. Tahlia Perry, a Ph.D. student at the university, says users have sent in about 100 scat samples so far, and she plans to do DNA testing to verify their source. “There was one that sort of looked more like a possum scat,” she said.

Getting data from people with little formal science training isn’t a new concept. A Norwegian bishop in the mid-1700s

created a network of clergymen to collect observations about the environment, according to a 2012 study in an academic journal from the Ecological Society of America.

Even professionals aren’t always correct at first, and often disagree about how to classify new finds. A dinosaur skeleton unearthed in Montana in 2001 that resembled a small Tyrannosaurus rex was initially thought by some to be a distinct species. Now the skeleton, on display at the Burpee Museum of Natural History in Rockford, Ill., is considered to be a juvenile T. rex.

Alison Young, a citizen-science manager at the California Academy of Sciences in San Francisco, got excited after a user on citizen-science app iNaturalist posted a photo of “oblong, fuzzy-looking things” on a rock on the California coast. Ms. Young thought it could be a tunicate, an invertebrate sometimes called a sea squirt. The objects, however, were eventually deemed to be dried-out mango pits. “As long as people are confident enough

to keep sharing their crazy finds, it helps us all be curious,” said Ms. Young.

In the early-morning rain a few weeks ago, Debra Hallett, who works in engineering, was in the northern Australian wilderness when she heard a “deep, chirpy sound” she thought could be a frog. Ms. Hallett began recording with the frog app, called FrogID, hoping it would be a frog she had yet to encounter. The Australian Museum researchers, however, determined it wasn’t a frog, and Ms. Hallett figures it must have been an insect.

“I think I was just enthusiastic that morning,” said Ms. Hallett, who has submitted several dozen verified frog calls and recalls playing with green tree frogs while growing up in the Australian state of Queensland. If she records a bug instead of a frog, “usually I feel like a bit of a dill,” she said, using an Australian term for foolish.

Researchers are hoping to hear the mating calls that male frogs use to attract females.

Since FrogID was launched in November, users have sub-

mitted more than 15,000 recordings and researchers have verified more than 19,000 individual frogs. Jodi Rowley, a curator at the Australian Museum, said the data already show some frogs have bigger ranges than previously thought. “We would never in the lifespan of all the frog biologists in Australia get the amount of data that we’ve gotten in a week,” Ms. Rowley said.

She hopes to introduce a feature that will allow users to help verify whether recordings have frogs. The help would come at an opportune time. One frog in Western Australia, the sand frog, sounds very similar to a cricket and could start mating later this month, possibly leading to more cricket recordings.

Stephen Mahony, a technical officer at the museum, recalled one instance where a woman sounds like she complains to a man making the recording: “I’m going to go inside now. You enjoy your frogs.” Unfortunately, that recording turned out to be a cricket.

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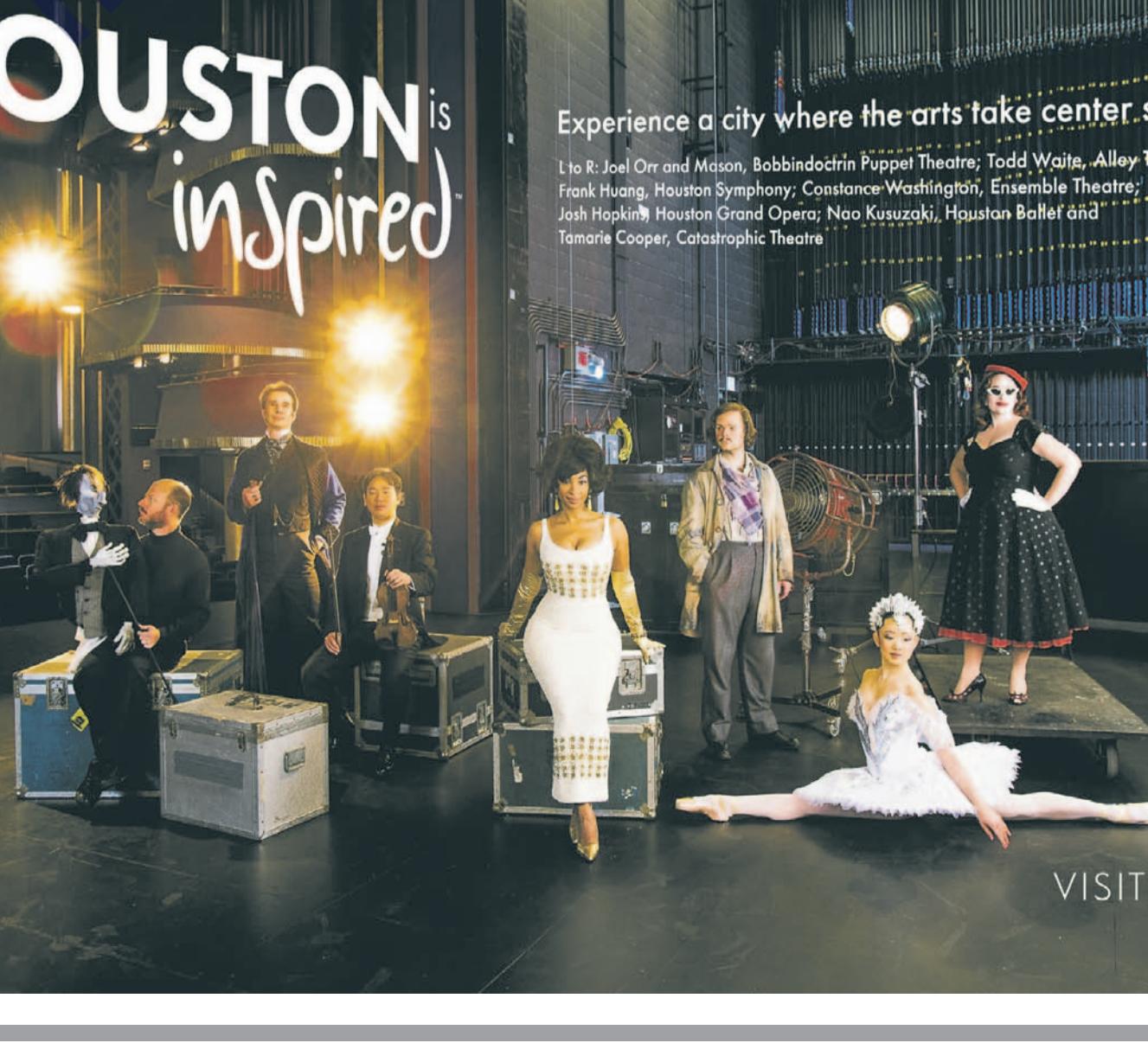
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## WORLD NEWS

## ECB Chief Shifts on Bond Buying

Bank drops its longstanding pledge to increase easing if economy worsens

By TOM FAIRLESS  
AND PAUL HANNON

FRANKFURT—The European Central Bank took a small but significant step to scale back its large monetary stimulus, in an unexpected move that acknowledges the booming eurozone economy and sets aside concerns over a surging euro and the threat of global trade wars.

In a policy statement on Thursday, the ECB dropped a long-held pledge to accelerate its €30 billion-a-month (\$37.2 billion) bond-buying program if the region's economy deteriorates. That promise, designed to reassure investors, had been criticized by some ECB officials as excessive given the strength of the bloc's economic recovery.

The move sets the ECB firmly on course to phase out a historic stimulus program that is credited with reinvigorating growth in the 19-nation eurozone but has faced heavy criticism in the bloc's biggest economy, Germany.

But at a news conference, Mr. Draghi played down the significance of the move, saying it reflected the pickup in growth since the pledge was introduced at the end of 2016.

"It's essentially a backward-looking decision," he said, stressing that "victory cannot be declared yet" in the central bank's battle to raise the annual rate of inflation.

The euro settled back as Mr. Draghi spoke, trading around half a cent lower against the dollar, at \$1.2311.

"The ECB certainly does not want to get ahead of itself, or for the markets to overreact to its policy tweak," said Marcel Alexeevich, an economist with Jefferies in London. Still,



European Central Bank President Mario Draghi minimized the import of abandoning an easing bias, saying it reflected recent growth.

**2.4%**

The ECB's forecast for European economic growth this year

quickly the ECB will wind down its bond-buying program, known as quantitative easing, and start to raise interest rates. The timing of that decision will have a large im-

pact on market interest rates and asset prices.

The ECB said it will continue to purchase bonds through September, "or beyond if necessary," and that its key interest rates won't rise "for an extended period of time."

Mr. Draghi said there had been little talk about future policy steps. While policy makers had expressed rising confidence in the region's economic recovery, they had also pointed to uncertainty around potential growth, he said.

The decision to drop the pledge was accompanied by new forecasts from the ECB's economists, who now project growth at 2.4% this year, compared with 2.3% when they

last released projections in December.

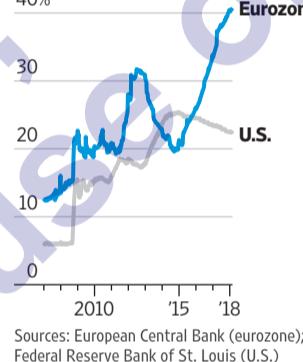
That upgrade indicates that the ECB doesn't expect the threat of a trade conflict with the U.S. to weigh heavily on the eurozone economy this year.

The eurozone economy grew at an annualized pace of 2.4% in the fourth quarter of last year, and unemployment is expected to fall to 8% by the end of the year, the lowest level in a decade. Inflation has remained weak, however. It slid to just 1.2% in February, some way from the ECB's target of just below 2%. The ECB's economists cut their inflation forecast for next year to 1.4% from 1.5%, but still see a pickup to 1.7% in 2020.

### Still Easy

The ECB continues to provide stimulus as the Fed tightens.

#### Balance-sheet assets, percentage of GDP



Sources: European Central Bank (eurozone); Federal Reserve Bank of St. Louis (U.S.)  
THE WALL STREET JOURNAL.

## Pacific Pact Sets Sail But U.S. Not Aboard

For the second time in two years, countries around the Pacific are coming together to form a bloc aimed at boosting trade and putting pressure on China's economic system.

By Paul Kiernan in Santiago, Chile, and William Mauldin in Washington

This time, they are doing it with one key country absent: the U.S.

Japan, Canada, Mexico and eight other Pacific nations signed a new version of the Trans-Pacific Partnership, or TPP, on Thursday. The Trump administration, which later in the day announced unilateral tariffs on global imports of steel and aluminum, pulled the U.S. out of the original TPP a year ago, fulfilling a promise in a 2016 election campaign dominated by skepticism about the benefits of global trade.

The goal of the pact is to open borders to more trade in the rapidly growing Asia-Pacific region and to set international standards, which many free-trade advocates see as crucial to managing the encroaching dominance of China, the second-biggest economy in the region and in the world.

Officials involved said the pact shows some countries are eager to liberalize trade at a time when the administration of U.S. President Donald Trump and some other governments are wary of economic integration.

"There's rising protectionism around the world at the moment," said David Parker, New Zealand's trade minister. "It's not just harmful for our own economies. An open world makes for a peaceful world."



Police Detective Sergeant Nick Bailey also was sickened after responding to the scene, above.

## U.K. Vows to Act After Russia Ex-Agent Attacked

By WIKTOR SZARY

LONDON—British Home Secretary Amber Rudd said the U.K. would be ready to respond to the attempted murder of a Russian double agent living in Britain if it was attributed to Moscow, describing the use of a nerve agent on U.K. soil as a "brazen and reckless act."

"There is nothing soft about the U.K.'s response to any sort of state activity in this country," Ms. Rudd told the British Broadcasting Corp. on Thursday. "You may not hear about it all, but when we do see that there is action to be taken, we will take it." She didn't elaborate.

The Russian government has denied any responsibility in the poisoning.

Sergei Skripal, a 66-year-old former colonel in Russian military intelligence who has lived in Britain since a 2010 spy exchange, and his 33-year-old daughter, Yulia, were found unconscious on a bench outside a shopping mall in southwestern England on Sunday afternoon, following what police said was a targeted at-

tack. They remained unconscious, in critical but stable condition, Ms. Rudd told Parliament later Thursday.

A police officer who was one of the first on the scene and fell ill was likely exposed to the same substance as the original victims of the attack, Ms. Rudd said. Wiltshire Police named the injured officer late Thursday as Detective Sergeant Nick Bailey and said he was in serious but stable condition, conscious and talking.

Police said a total of 21 people have received medical treatment following Sunday's incident, but only Mr. Skripal, his daughter and Mr. Bailey remain in the hospital.

Successive British governments have been accused by the media and opposition politicians of responding weakly to suspected state Russian activity on British soil, particularly the murder of Alexander Litvinenko, a former Russian intelligence agent who had become a Kremlin critic and a British citizen. He suffered a slow, painful death in 2006 after meeting his killers in a London bar and drinking tea laced with polonium-210, a

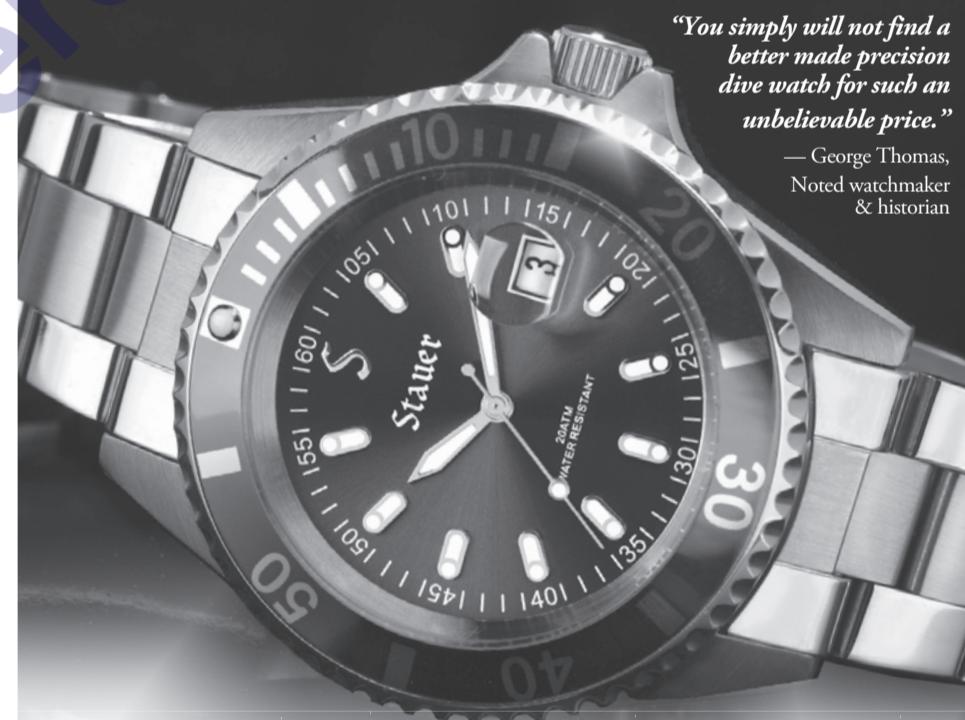
deadly radioactive isotope of the element polonium.

In 2007 the U.K. expelled four Russian diplomats after Moscow refused to extradite the chief suspects in Mr. Litvinenko's death.

A high-level British investigation concluded in 2016 that the killing of Mr. Litvinenko was probably an operation of the Russian domestic security service, the FSB, approved by Russian President Vladimir Putin, a claim Russia denies. The Conservative government didn't impose new sanctions on Russia in the wake of the inquiry.

"After the Litvinenko inquiry found that Putin was personally responsible, the government did absolutely nothing in response," Chris Bryant, lawmaker from the largest opposition Labour Party told Parliament Tuesday. "What happens when a murdering dictator is told that nothing is going to happen? They just do it all over again."

Ms. Rudd on Thursday said the government would "act without hesitation" as the facts become clearer.



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## WORLD NEWS

# Breakthroughs, Disappointments

By JONATHAN CHENG

For nearly a quarter of a century, the U.S. has resorted to a combination of carrots and sticks to deter North Korea from developing a nuclear bomb, to no avail.

The effort to turn back the clock on Pyongyang's weapons program is entering a new and unpredictable period, after President Donald Trump accepted an invitation Thursday to meet with North Korean leader Kim Jong Un.

The first deal to halt North Korea's nuclear program came in 1994 between the Clinton White House and Pyongyang, pledging to freeze and replace North Korea's nuclear power plant with light-water reactors, while gradually normalizing relations between the two adversaries.

The deal broke down and was eventually scrapped by 2003 under George W. Bush, amid complaints from the U.S. that the North was cheating on the deal with a secret program to enrich uranium. The North, in turn, accused the U.S. of not following through on its end of the deal.

Joel Wit, a senior fellow at the U.S.-Korea Institute at Johns Hopkins University's School of Advanced International Studies who was involved in the negotiations for the 1994 deal, called the announcement on Thursday "a historic opportunity to turn the corner away from not only the tensions of the past year but the 60 years of confrontation since the Korean War."

The U.S. made a fresh attempt at diplomacy in George W. Bush's second term as president, sending Ambassador Christopher R. Hill to the six-party talks to try to persuade the North to dismantle its nuclear program. The talks reached a breakthrough in 2007, when the North again said that it would take steps toward dismantling its nuclear program. But that deal eventually fell apart after the U.S. condemned a North Korean satellite launch in 2009, after which Pyongyang pulled out of the deal.

The U.S. has condemned the North's satellite launches as a disguise for a long-range missile test.

"The negotiations are not always linear," Mr. Hill said in an interview on Thursday, before the latest announcement.

A February 2012 accord between the U.S. and North Korea, the "leap day" agreement, also fell apart within weeks after the North launched another satellite to commemorate the 100th birth anniversary of state founder Kim Il Sung in April of that year.

—Andrew Jeong  
and Felicia Schwartz  
contributed to this article.



South Korea's national-security adviser, Chung Eui-yong, center, announced Kim Jong Un's invitation in front of the White House.

## A Long History

**April 1994:** Former President Jimmy Carter visits North Korea, meets leader Kim Il Sung during nuclear standoff.

**October 1994:** U.S. and North Korea reach deal for Pyongyang to freeze operation and construction of nuclear reactors.

**October 2000:** North Korea Vice Marshal Jo Myong Rok visits U.S. and nations issue joint communiqué to improve relations.

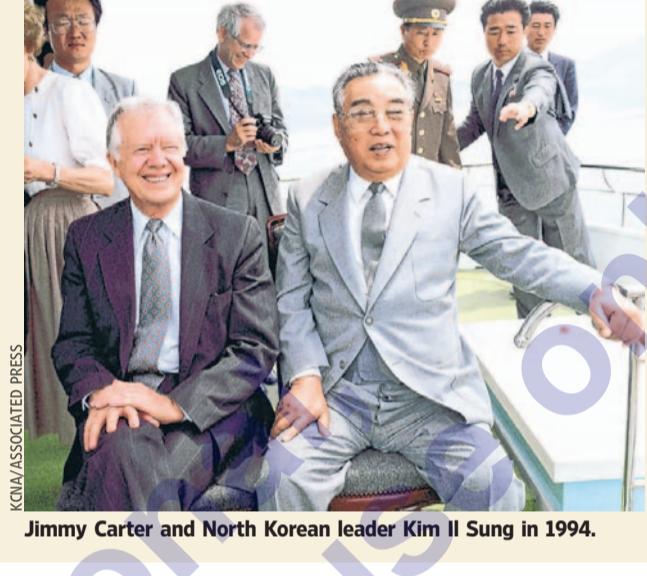
**October 2000:** U.S. Secre-

tary of State Madeleine Albright visits Pyongyang and meets leader Kim Jong Il.

**August 2009:** Former President Bill Clinton visits North Korea to bring back two detained U.S. journalists.

**August 2010:** Jimmy Carter visits North Korea to retrieve detained American Ajalon Mahli Gomes.

**November 2014:** Director of National Intelligence James Clapper visits Pyongyang to retrieve detained Americans Kenneth Bae and Matthew Miller and deliver a letter from President Barack Obama for North Korean leader Kim Jong Un.



Jimmy Carter and North Korean leader Kim Il Sung in 1994.

## KOREA

*Continued from Page One*  
to double down on their demands and perhaps heighten the possibility of conflict.

By all accounts, the obstacles to an agreement are formidable. Just last month, U.S. intelligence agencies predicted that North Korea would press ahead with more missile tests and would resist negotiating away its nuclear arsenal.

But on Thursday, South Korea's national-security adviser, Chung Eui-yong, conveyed Mr. Kim's invitation to meet and noted that North Korea had promised to suspend nuclear and missile tests while it engages in talks on the denuclearization of the Korean Peninsula.

In a tweet, Mr. Trump said he believed he was seeing "great progress" from North Korea.

"Kim Jong Un talked about denuclearization with the South Korean Representatives, not just a freeze. Also, no missile testing by North Korea during this period of time. Great progress being made but sanctions will remain until an agreement is reached. Meeting being planned!" he wrote.

Mr. Trump spoke Thursday evening with Secretary of State Rex Tillerson, who is traveling in Africa. Deputy Secretary of State John Sullivan was at meetings at the White House Thursday, with top White House officials and the South Korean representatives who brought the offer from Mr. Kim.

Based on initial reactions, the coming days will bring debate over the implications posed by talks: Does a leader-to-leader meeting elevate and legitimize Mr. Kim; will it defuse tensions or complicate them; would it make the prospect of war more remote, if

talks succeed, or more imminent, if they collapse?

"Skepticism and caution are critical as these discussions continue," said Sen. Bob Corker (R., Tenn.), the chairman of the Senate Foreign Relations Committee.

If high-level talks get under

way, a key question will be what North Korea and the U.S. mean when they talk about "denuclearization." The underlying assumption of American policy has long been that it means a North Korea without any nuclear weapons or a nuclear-weapons program.

But to the North Koreans, the term could mean much less than that. The North may define denuclearization as a long-term goal that would only be achieved after the U.S. withdraws troops from South Korea and effectively ends the U.S.-South Korean military alliance.

One former official says that to be negotiable, denuclearization could mean a freeze in North Korean missile and nuclear testing now, followed by an understanding that no further weapons will be built, with the goal of actually eliminating the weapons already have built years down the road.

Lawmakers from both parties on Thursday welcomed Mr. Trump's decision to talk to Mr. Kim, though some expressed reservations.

Rep. Ed Royce (R., Calif.), chairman of the House Foreign Affairs Committee, said the Trump administration must ensure Pyongyang's offer isn't

## Meeting Reflects A Victory For Moon

For South Korean President Moon Jae-in, the announcement of a meeting between the leaders of the U.S. and North Korea marked the biggest coup of his 10-month presidency.

It came after a year in which South Korea appeared to be left out of a cycle of escalating tension between the U.S. and North Korea—even as Mr. Moon, a left-leaning leader who for decades has pushed for more engagement with Pyongyang, talked about putting South Korea "in the driver's seat" on security matters on the Korean Peninsula.

Mr. Moon's outreach to the North went ignored in 2017, but when North Korean leader Kim Jong Un signaled a willingness to engage during the Olympics, Mr. Moon leapt at the chance, proposing inter-Korean talks at the demilitarized zone. At the same time, the Moon administration struggled to convince the White House, which had pushed a campaign of "maximum pressure" against Pyongyang, to proceed with the rapprochement.

The two Koreas, which are set to hold a summit meeting of their own in late April in the Panmunjom truce village on the inter-Korean demilitarized zone, have held two such prior meetings. In both instances, North Korea expressed a willingness to resolve the standoff through peaceful means. Pyongyang has also previously expressed its willingness to give up its nuclear weapons in exchange for a security guarantee, as they have told the South they are willing to do this time as well.

—Jonathan Cheng

a bid to buy time to work on its program.

"North Korean regimes have repeatedly used talks and empty promises to extract concessions and buy time," he said. "We've got to break this cycle."

But a failure of the high-stakes diplomatic bid shouldn't become a pretext for armed conflict, said Sen. Ed Markey (D., Mass.), a member of the Senate Foreign Relations Committee. "If the talks between the two leaders do not go well, it is not an excuse to justify military action for a situation that has no military solution."

North Korea's leaders have never met a sitting U.S. president, though Jimmy Carter and Bill Clinton met with Mr. Kim's grandfather and father, respectively, after they left the White House.

—Andrew Jeong in Seoul and Felicia Schwartz in Washington contributed to this article.

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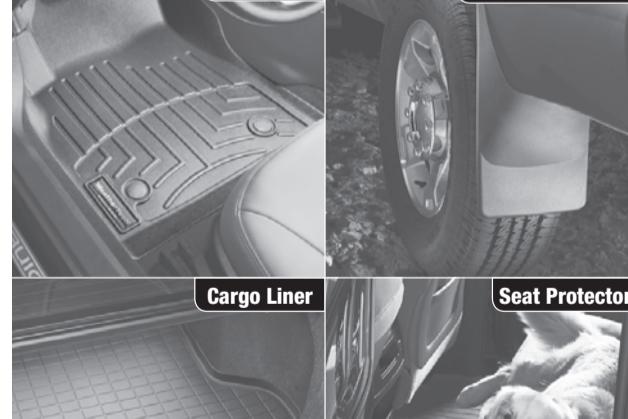
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## IN DEPTH

## REHAB

*Continued from Page One*  
doesn't work.

The predicament reflects both the difficulty of treating addiction and the haphazard rehab and insurance system many patients face.

The rehab field is highly fragmented, with thousands of small providers offering treatment that often isn't grounded in science. Some lack medical professionals or licensed counselors, reflecting the field's roots in 12-step sobriety principles rather than medicine. Yet rehab services often cost big money, which insurers don't always cover.

Parents and family members desperate to keep their loved ones from overdosing find themselves shelling out again and again through rounds of recovery and relapse.

The insurance claims of Americans with employer-provided coverage show the rising burden. From 2012 through 2016, spending for substance-use admissions to inpatient facilities rose 54% per person in this group, which includes about half the U.S. population, according to an analysis of insurance claims by the nonprofit Health Care Cost Institute.

Consumers' out-of-pocket spending for these substance-use admissions soared 80% per person.

**'I failed'**

For some families, bankruptcy is the outcome. Theo Haskins, a 57-year-old accountant in the Salt Lake City area, says her son's yearslong fight with addiction contributed to her bankruptcy filing in 2013. She says she spent tens of thousands of dollars on nearly a dozen rounds of rehab, even after insurers kicked in more than \$300,000.

Last year, her son Mitchell died of an overdose.

"I spent literally every penny I had," Ms. Haskins says. "After all this, I failed."

Addiction experts say the system is too ineffective to cope with the growing health crisis. One common approach involves sending addicts to 30- or 60-day residential programs, or to short-term detox, and then releasing them with little follow-up care, which specialists say

**'We are tired and funds have been exhausted,' a mother wrote to her daughter.**

isn't enough time and support to have a lasting impact.

The medical expenses don't relate just to rehab treatment—many parents are shelling out for ER visits when a child overdoses, sober-living homes where they can live long-term with others in recovery and plane tickets to fly loved ones to treatment centers in other states. In a panic, parents sometimes send their children to the first rehab with a vacancy, even if it's outside their insurer's network, adding to the cost.

"You are in an extreme hurry because your kid is on heroin. I had to find a place, not knowing anything, within 48 hours, or he was going to go and start using," says Susan Carlton Oquendo, a Utah mother who took about \$50,000 from her retirement savings to fly her son to a Florida rehab facility she found online after a frantic Google search.

When they are sober, people suffering from addiction often express guilt over the toll on their loved ones.

Betsy LeGallais of Pensacola, Fla., estimates she and her



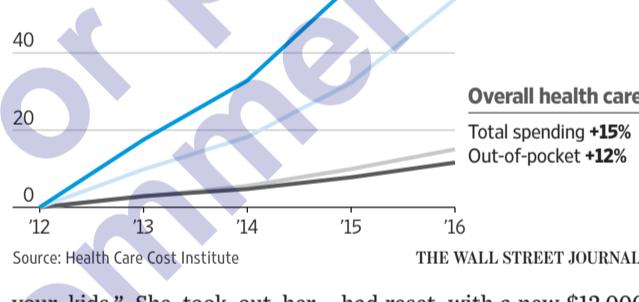
**Michelle Vandecar with Jake, one of three sons battling addiction. She and her husband amassed \$120,000 of credit-card debt, took out a home-equity loan and cleaned out part of their 401(k) to pay for multiple rounds of treatment. Below, Theo Haskins, with photos of her son Mitchell as an adult and as a child. He died last year of an overdose after nearly a dozen trips through rehab.**



benjamin zack for THE WALL STREET JOURNAL (2)

**Growth Industry**

Per-capita spending on substance-abuse admissions to inpatient facilities has grown far faster than overall healthcare costs, among Americans who get insurance through work.

**Annual per-capita spending, change since 2012**

THE WALL STREET JOURNAL.

mother have spent \$120,000 over the years on addiction treatment for her 25-year-old daughter, Anna Lewis, who started using heroin in her late teens and then turned to alcohol.

A few months ago, copayments for Ms. Lewis's latest round of detox took what little savings Ms. LeGallais had begun to build back up again. She sat down at her laptop to write her daughter a letter.

"I would give the last breath that I breathe to make you happy and healthy but I know that that has to come from me," she wrote. "We are tired and funds have been exhausted."

On a recent afternoon near Birmingham, Ala., where she is in a sober-living home, Ms. Lewis teared up, saying the letter felt like "a blow to the knees." She said she is painfully aware of the money her mother and grandmother have spent, and has felt obligated to pay back what she could when she has been able to work. "I think that I always will," she said.

The Vandecars' medical crisis began in 2012, when their middle son, Colton, was hospitalized after attempting suicide.

Repeated ambulance rides and high copays for inpatient stays to treat his suicidal tendencies and drug use began to add up.

Their financial stress worsened in 2013, when Colton and his younger brother Jake entered residential addiction treatment around the same time. Jake had just overdosed on a powerful cough medication containing dextromethorphan, which can generate euphoria and hallucinations. His mother found him collapsed on the sofa taking rapid, shallow breaths, and called an ambulance. Colton had previously overdosed on the same drug and was also abusing it with his brother that day.

"You just feel like a failure," Ms. Vandecar says, her voice breaking as she recalls that day. "You never think it's going to be

again, and would soon branch out to cocaine, methamphetamine, heroin and acid. The Vandecars put another \$10,000 on their credit cards to pay for weekly counseling sessions at

home for the family, which their insurer, UnitedHealthcare, wouldn't cover, they say.

Mr. Vandecar was earning more than \$150,000 a year at the time as an executive at an information-technology company, but the couple also had two daughters to feed, along with mortgage and car payments. They started tapping their 401(k) to pay down some of the card balances, Mr. Vandecar says.

Over the years they drained about \$300,000 total from retirement to pay credit-card bills and other expenses, including legal fees related to their sons' troubles with the law, he says.

Undermining their retirement savings didn't feel good, the 53-year-old says, but they decided "we've got to put the life of our boys first."

In late 2014, a drug court ordered Jake back to rehab, after he failed a drug test and overdosed on alcohol. He entered a state-run facility about an hour from Salt Lake City, where he stayed till the summer of 2015.

Halfway through the facility sent the Vandecars a bill for \$15,000. After opening it, "I just sat in the car and cried," Ms. Vandecar, 45, says. "We'd just already paid so much."

They eventually got that bill reduced through court proceedings, but they were struggling.

"For a long time food bills went on the credit card because we didn't have the money to pay for it," Ms. Vandecar says.

At one point, when they needed to pay a medical bill, they decided, "What can we sell?" Mr. Vandecar remembers. They settled on his KTM motorcycles, a pair of Austrian bikes that sold for \$8,000 on a local website.

In 2015 they moved to a less-expensive home—and then took out a home-equity loan on the new house to pay down more of their credit-card debt.

Around the same time, drug problems were becoming worse

for their oldest son, Zak.

He had begun using marijuana in middle school and progressed to prescription medication, acid and then oxycodone when he got a prescription for the painkiller after breaking his big toe. Eventually one of Zak's brothers told his parents he was using heroin.

In early 2016, the then-21-year-old went to a small rehab run by privately held Turning Point Centers, which was one of the few places insurance would cover in the Salt Lake City area under a new job Mr. Vandecar had started. The couple used a credit card to pay \$2,500 upfront—their annual out-of-pocket maximum per family member at the time. Zak stayed for about a month and then moved home, but within a few weeks his mother found needles in the garbage can. He had relapsed.

Zak returned to Turning Point. The insurance stopped paying after about 12 days. His parents moved him to a sober-living home that cost them \$600 a month. He soon relapsed again.

Turning Point offers residential and outpatient treatment and recommends that patients commit to 90 days of care, but families and insurers don't always follow that advice, said Chris Mackintosh, chief executive of Turning Point. He said relapses are common in most chronic diseases.

When the Vandecars needed a rehab facility again, they chose a different institution. This time it was for Colton, who had been abusing a variety of drugs, including heroin, since his last round of residential addiction treatment in 2014. In mid-2016 Jake found him on the floor choking on his own vomit after an overdose, his mother says.

His parents sent him to Recovery Ways, a facility partially owned by private-equity firm Chicago Pacific Founders. Colton went through three separate monthlong stays there. After each visit he would go to a sober-living house, relapse, and repeat the now-familiar cycle, accumulating thousands of dollars in more copays and fees.

**Suicide attempt**

After he got out of rehab at the end of August, Colton says he tried to overdose on drugs in an attempt to end his life. When he didn't succeed, he says he decided to strive for sobriety. He drew inspiration from a fellow patient at Recovery Ways who had spoken glowingly about a previous period of abstinence. Since then Colton says he has been smoking pot but staying off other drugs. "It's the only part of the last few years that has been worth living, that I can remember," he says.

His friend from rehab recently died of an overdose, he says.

Andrew Sidoli, executive clinical director of Recovery Ways, says the facility delivers the "highest quality" care, with a staff including an addiction psychiatrist and masters-level therapists.

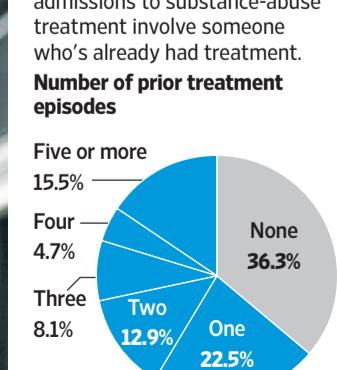
Jake, whose use of meth last year landed him in the ER, is living at home. His mother says he acknowledges smoking pot but is trying to stay off other substances. He declined to comment.

In late 2016 the Vandecars kicked Zak out of the house for using drugs and stealing their belongings, which they said he was pawning for cash.

Zak spent about a year living in his car. After getting caught shoplifting for food, he recently began another round of treatment, this time at Recovery Ways—where Colton had relapsed and returned several times. He wasn't reachable for comment there. "We always want to keep trying," says Ms. Vandecar. "I think it's just desperation, hoping this time it will work."

**Round Trip**

Nearly two-thirds of U.S. admissions to substance-abuse treatment involve someone who's already had treatment.

**Number of prior treatment episodes**

**Betsy LeGallais, of Pensacola, Fla., estimates she and her mother have spent \$120,000 on treatment for her daughter Anna Lewis, shown outside a sober-living apartment.**

# GREATER NEW YORK

## Battle Behind JFK's \$10 Billion Overhaul

By PAUL BERGER

A fierce competition between airlines, private equity, developers and terminal operators is nearing its climax as the Port Authority of New York and New Jersey advances a \$10 billion plan to overhaul John F. Kennedy International Airport.

Several companies, including private-equity firm Oaktree Capital Management, developer RXR Realty and Spanish infrastructure group Ferrovial SA, are vying to partner with JetBlue Airways Corp. to expand the airline's operations beyond its hub at Terminal 5. Oaktree, RXR and Ferrovial declined to comment.

The winner of that contest, which is expected to conclude in the coming weeks, must then wait as the Port Authority weighs bids from a handful of other airlines and private companies that submitted plans to expand their own cramped or outdated facilities. A decision is expected this summer.

JFK has six terminals, each of which is managed by individual airlines or terminal operators. The Port Authority has budgeted \$1 billion for the airport expansion, with the expectation that the private sector will provide the remaining \$9 billion.

There will be winners and losers. At stake is a larger foothold at one of the nation's busiest airports and the international gateway to New York City where passenger traffic is forecast to exceed 100 million people a year by 2050.

"This is prime real estate," said Jeff Goodell, vice president of government and airport affairs at JetBlue. "There

are not unlimited options for development of terminal facilities" at JFK.

Each airline or operator is bidding to invest billions to expand and improve terminals. In return, they hope to generate profits through fees and charges on airlines and commercial tenants.

It is also an opportunity to control a larger area of the airport.

On the north side of the airport, JetBlue aspires to redevelop the former Terminal 6 site, which was demolished in

### \$1B

Amount the Port Authority has budgeted for the airport project

2011, and, potentially, to expand into Terminal 7, a hub for British Airways. A spokeswoman for British Airways said the airline will remain at the terminal until at least 2022, when its lease expires.

She said the airline is reviewing options with the Port Authority, including a British Airways "redevelopment of T7."

To the south, the private operators of Terminals 1 and 4, the most congested facilities at the airport, face a turf war over the chunk of land that sits between them.

The Port Authority will be the ultimate arbiter, deciding which plans are approved and the order in which development will proceed. The Port Authority's aim is to physically link up the Balkanized terminals and to create a unified airport that gives passengers a uniform experience.

"The race is to the swift," said Rick Cotton, Port Authority's executive director, who explained that the agency would favor projects that move the fastest and provide the greatest value to the airport.

The competition comes one year after a panel convened by New York Gov. Andrew Cuomo called for an overhaul of the airport's cargo facilities, roadways and terminals.

Plans for the airport's redevelopment can seem like a game of musical chairs. For some terminals to expand, operators may need to shift airlines to other gates or terminals. That ends up pitting different airlines and their partners against one another.

Terminal One Group, a consortium of four airlines, has teamed up with private equity firm Carlyle Group LP to extend Terminal 1. Their plan is to expand eastward through Terminal 2, a hub for Delta Air Lines Inc.'s domestic flights, and across the former site of Terminal 3, which is used as a parking lot for Delta aircraft.

That puts them in competition with Terminal 4, a Delta hub which has plans to expand west across a similar footprint. The terminal is operated by JFKIAT, which is owned by a joint venture led by Netherlands-based Royal Schiphol Group with Delta as a minority stakeholder. The airline and JFKIAT declined to comment.

Glenn Youngkin, a co-chief executive of Carlyle Group, said whatever the outcome, airport-wide development will only work if all parties cooperate. "In order to make anything like this work in a complicated ecosystem like JFK, everybody is going to have to partner on this," he said.

### Turf War

Airlines and terminal operators compete for the right to expand at Kennedy Airport.



Sources: Google Earth (image); People familiar with the projects (airport expansion plans)

THE WALL STREET JOURNAL.



Redevelopment plans at John F. Kennedy International Airport could pit airlines against one another.

### Better Coordination Sought at Airport

With a different operator at each of the six terminals at JFK, the airport is notorious for a lack of communication and cooperation among the Port Authority, airlines and terminal operators.

That lack of control was laid bare in January when the airport was overwhelmed by a winter storm. Over several days, airlines continued sending aircraft to the airport, where some terminals failed to cope with the influx of passengers. Thousands of people were stranded on planes or in

terminal buildings for hours. Luggage went missing for days.

Port Authority Executive Director Rick Cotton said that as the agency negotiates new leases, it will demand higher standards of communication, coordination and passenger experience from terminal operators.

## City Spells Out Student-Protest Rules

By LESLIE BRODY

New York City public schools won't penalize students for missing classes to attend gun-safety protests Wednesday, if they get parental permission.

Chancellor Carmen Farina spelled out the rules Thursday in a letter to families. Many students across the country are planning to walk out of class at 10 a.m. on March 14 for 17 minutes, in honor of the 17 people killed in the Parkland, Fla., school shooting on Feb. 14.

Districts have signaled varying approaches to the National School Walkout for gun safety.

In New York City, Ms. Farina said the department supports students exercising their free-speech rights and encourages teachers to lead discussions of current events from multiple points of view. The city listed online resources for civic engagement, including articles about gun ownership and on the political response to school shootings.

Middle- and high-school students who walk out for 17 minutes



Chancellor Carmen Farina said students need parental permission to take part in planned walkouts.

utes on Wednesday will be considered to be cutting class, the letter said, but the only consequence will be an attendance record notation and a conversation with an administrator.

Students who want to stay at demonstrations beyond the 17 minutes will be considered absent. With a parent's permission, it will be an excused

absence. Without it, it will be an unexcused absence.

Elementary-school students who want to participate in the walkout must be signed out by a parent.

Districts across the country have been laying out their rules for the planned student walkout. Many have struck notes similar to New York City's.

In Needville, Texas, near Houston, by contrast, the superintendent warned that students who demonstrate during school hours will get a three-day suspension.

"We are here for an education and not a political protest," Superintendent Curtis Rhodes said in a letter to families last month.

protect me," said Olukemi Jemilugba, 16 years old, of Scholars' Academy in Queens.

Mr. de Blasio and police officials promised to do more to help school safety agents earn students' trust.

Ms. McCray, who leads a mental-health initiative in the city and often takes a prominent role in her husband's administration, urged students to take advantage of mental-health resources in the schools, which she said was the best way to prevent violence. "The emphasis should not be on armed support," she said.

The mayor nodded in agreement, and said students should also reach out to a school safety agent or another trusted adult if they fear a classmate may become violent. "If you see something, say something," he said.

## Storms Take a Bite Out of Spring Break

By MELANIE GRAYCE WEST

Parents in the New York City suburbs who already have endured school closures and power outages this winter now face an even chillier prospect: A shortened spring break.

Several school districts remained closed on Thursday, recovering from back-to-back severe winter storms that knocked out power to thousands of homes during the past week. The run of bad weather has caused a number of lower Hudson Valley school districts to alter holiday breaks that typically bookend Easter and Passover.

The Croton-Harmon Union Free School District in Westchester County remained closed on Thursday after last week's nor'easter knocked out power for days.

The district, with about 1,600 students, has exhausted the total number of emergency closing days, according to Superintendent Edward Fuhrman Jr. Students now must report to school on March 26, the first day of a planned spring break.

Elke Raskob, co-president of the Croton-Harmon High School PTSA, said the change is upsetting some parents' plans, especially those who have already paid for school trips scheduled for that week.

"These kids are going to go anyway," she said. "You can't change a trip to France."

New York state school districts are required to be in

session for a minimum of 180 days, or they risk losing state aid. State regulations require districts to use up all vacation days before asking for relief from the state Education Department, which has the ability to forgive up to five days of school closures.

In December, the state Board of Regents discussed revising the 180-day requirement and converting to an "annual aggregate minimum hours requirement," which would allow districts more flexibility in how they recoup missed days.

That kind of flexibility, said Joseph Hochreiter, superintendent of the Hendrick Hudson School District in Westchester County, would allow schools enough planning and notification time to tack on extra minutes to the end of the school day in May and June.

Several Rockland County school districts also remained closed Thursday. The Nanuet Union Free School District will be in session on Friday, wiping out a Superintendent's Conference Day.

Superintendents said abrupt changes in school calendars can create problems in finding enough substitute teachers or affect how teachers introduce new content when a classroom is partially empty.

Meanwhile, weather forecasters on Thursday were nervously watching yet another potential nor'easter that could affect the area early next week.



Children enjoy the snow in New York City during a January storm.

## High Schoolers Talk Gun Control With Mayor

By MARA GAY

New York City high-school students told Mayor Bill de Blasio about their concerns about gun violence and school security in a two-hour town hall meeting that was emotional at times.

The city-sponsored event drew about 100 student activists from different schools to a gymnasium at a YMCA in Midtown. Mr. de Blasio and his wife, Chirlane McCray, engaged in a back and forth with the students.

"Have you personally experienced violence in your life?" Ms. McCray asked early on. Hands flew up across the room.

Mr. de Blasio, a Democrat who supports stricter gun-control measures, praised the growing movement of high-

school students across the country demanding changes to gun laws.

"You've created change," he told them. "What those young people in Florida started and is now spreading over the country is creating more change more quickly than anything adults have done over the past two decades."

One student who attends Stuyvesant High School in lower Manhattan said she and her classmates were still afraid after the October terrorist attack just outside their school when a man drove a truck down a bicycle path and killed eight people. And many said they felt the city's use of metal detectors at some schools but not others unfairly burdened minority students.

Of the city's some 1,500 school buildings, 93 have metal

detectors, officials said. The mayor said the measures weren't driven by race.

"We have an obligation to all students. We have an obligation to parents as well," Mr. de Blasio said. "We've got to show that measures are being taken for safety right now."

Outside of the meeting, dozens of high-school students protested what they said was the over-policing of minority students in New York City, and the use of metal detectors. Some carried signs that read, "counselors not guns." "Hey hey, ho ho, metal detectors have got to go!" they chanted.

Several other teens in the meeting said there was a lack of trust in school safety agents dispatched to the school by the New York Police Department. "Sometimes I feel like they're there more to watch me than

## GREATER NEW YORK



Renée Fleming, left, performed in 'Living on Love' in 2015. The opera great is back on Broadway in a revival of the musical 'Carousel.'

## Opera Stars Give Broadway a Whirl

BY CHARLES PASSY

It is only about a mile from the Metropolitan Opera to the heart of New York City's theater district in Times Square. But these days, the distance between the two worlds seems much shorter—at least in an artistic sense.

Opera great and Met veteran Renée Fleming is performing on Broadway in a revival of the musical "Carousel," now in previews. The Tony Award-winning actress Kelli O'Hara will appear in the Met's new production of "Così fan tutte," which premieres on March 15.

And the countertenor Iestyn Davies has managed to play both the Met and Broadway this season. At the former, he performed in the production of "The Exterminating Angel" this season. At the latter, he has been featured in the music-themed drama "Farinelli and the King," set to close this month.

Such exchanges between these two often distinct worlds of music theater aren't entirely new. Decades ago, such opera stars as Ezio Pinza and Lawrence Tibbett appeared on Broadway. Full-fledged operas have been staged on Broadway as well, with Baz Luhrmann's 2002 production of "La Bohème."

Still, what is happening of late is causing opera and Broadway insiders to take notice. "Some of the barriers have been broken down," Ms. Fleming said.

In general, the idea that opera is high art and Broadway merely popular fare is one



Opera singer Ezio Pinza starred with Mary Martin in 'South Pacific.'

that no longer holds sway, insiders note. That is especially true in an era when such groundbreaking Broadway shows as "Hamilton" are seen as some of the most important artistic works of our time.

Michael Mayer, a Tony-winning director who now works regularly at the Met, says it is part of a broader cultural trend.

All types of mass entertainment are being accorded new respect and attracting fresh talent, he

notes. "You see these great playwrights writing for television shows," said Mr. Mayer, whose schedule next season includes a new Broadway musical, "Head Over Heels," and two new Met productions, "La Traviata" and "Marnie."

Money also might be a factor in this current Broadway-opera crossover boom. Specifically, some cultural observers suggest that opera companies, which typically are run as nonprofit

organizations, increasingly are looking to connect with the glitzier Broadway world as a way to boost ticket sales.

Met General Manager Peter Gelb disagrees. "It has nothing to do with box office. It has to do with talent. We're always trying to get the best singers and the best directors," he said.

At the same time, Mr. Gelb didn't deny he has made a special point during his almost 12-year tenure to recruit more directors from the theater world as opposed to those who are strictly opera specialists. "It's about having directors who are great storytellers and treat opera as it what it should be, which is theater," he said.

Nevertheless, problems can arise in all this crossing over, observers note, because the art forms have distinct demands. Opera may be theater, but it also is about music—and it requires singers with extraordinary range and depth and the ability to work without amplification. Conversely, Broadway singers these days may rely on a microphone, but they also must have a special flair for the dramatic.

"In general, theater people are much better at delivering lines than opera people," said Fred Plotkin, a leading writer and lecturer on opera.

Don't tell that to Ms. Fleming, however. She already has made something of a name for herself on Broadway, having appeared three seasons ago in the opera-themed comedy "Living on Love." When the opportunity came to join the revival of "Carousel," Ms. Fleming welcomed the opportunity. "It seemed like something fun," she said.

## Film Recounts A Family's Fight To Clear Name

BY BARBARA CHAI

Steve James is the veteran director of documentaries "Hoop Dreams," "Life Itself," "The Interrupters" and the forthcoming 10-part docuseries, "America to Me."

His first Oscar nomination for best documentary has come with a film set in a Chinese immigrant community of New York City.

Mr. James's PBS "Frontline" film "Abacus: Small Enough to Jail" follows the Abacus Federal Savings Bank, run by the Sung family, as it is prosecuted by the Manhattan district attorney's office on fraud charges.

In 2009, a loan officer named Ken Yu was found to have falsified documents and accepted bribes by borrowers. He was fired, and the Sungs reported the incident to Fannie Mae, which referred the case to the FBI.

The Sungs' actions resulted in an investigation of the bank itself, and its leaders. In 2012, Abacus and 19 executives and employees were indicted on charges of a scheme to falsify loan applications to Fannie Mae. The documentary follows the events of the trial. Mr. James discussed filming in Manhattan. Here are edited excerpts.

**Q:** This film and its subject seem to be a departure for you. How did you get involved with the project?

**A:** I got involved because producer Mark Mitten had known the family for a decade and is friends with them. When I went to New York to film the family, I was just really taken with them. I believed them to be people of principle and courage and integrity.

**Q:** A startling moment is when the Sungs and their employees are subjected to a perp walk. Why were they forced to do it?

**A:** The walk itself was designed to paint this as a serious case of fraud. "Look at all these people chained together, there must be something terrible here." They showed a profound lack of sensitivity to those people, and to the Chinese community. These are not people charged with dangerous crimes.

**Q:** Tell me more about how you directed the courtroom artist. Her illustrations make up the bulk of the trial section of the film.

**A:** We had her go in for a number of days and she did a number of drawings to establish the look. Normally, the artist sits in one seat and diagrams everything from there, so you see the back of lawyers'

heads a lot. They don't let you get up and move around for a better angle.

We storyboarded this like you would a movie, so once she had the foundation, she was able to work with us. We'd say, "We want to visualize this testimony," or "When the Sungs' lawyer is cross-examining Ken Yu, we want to look into the lawyer's face and Ken Yu's face."

**Q:** It was interesting to listen to the juror who says she voted guilty.



Director Steve James

**A:** Once we got through the trial and saw they were a deadlocked jury and had to work through that, we set about trying to get jurors in the film.

**Q:** Hwei Lin Sung shares how ashamed she felt during the trial, even if the family was innocent. She is very open about feeling she "lost face."

**A:** They were in the midst of this really intense, scary trial. So much of their energy was focused on that, that it made it easier to not fret over our capturing them. They ended up being surprised, when they saw the film, by their family dynamic.

—Barbara Chai is arts and culture editor of MarketWatch.

## CORRECTIONS &amp; AMPLIFICATIONS

Consolidated Edison Inc. was incorrectly called Consolidate Edison in an article Thursday about Wednesday's winter storm.

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

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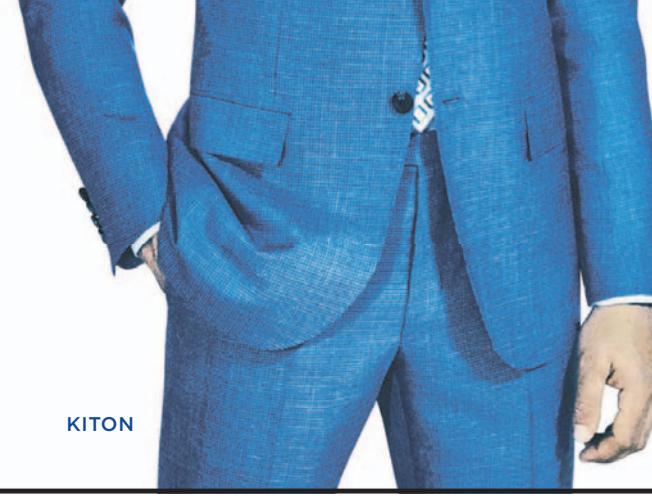
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KITON

# LIFE & ARTS



FILM REVIEW | By Joe Morgenstern

## Why Disney Can't Tell 'Time'



Oprah Winfrey and Storm Reid, above; Storm Reid, Deric McCabe and Reese Witherspoon, left

macy and spontaneity to convey it. Storm Reid is appealing as the heroine, who is biracial in this version, but limited by a role that often makes Meg a passive spectator to exterior events. (In "The Wizard of Oz," to which "A Wrinkle In Time" bears many resemblances, Judy Garland was a phenomenon for the ages, not just a young star, yet she couldn't have done what she did without the ardent, dynamic writing that's absent here.)

Deric McCabe, who's younger still, is charming as the supernaturally precocious Charles Wallace, but he struggles to recite his intricate lines. Levi Miller makes a blandly attractive Calvin, the older boy who accompanies Meg and Charles on their journey. (On two occasions Calvin tells Meg he likes her hair, but his character is so undeveloped that we don't know what he's talking about when he remarks, toward the end, that he can finally say certain things he has needed to say to his dad.)

Zach Galifianakis brings flashes of comic energy to the fragmentary role of Happy Medium. Gugu Mbatha-Raw is quietly impressive as Meg's mother; her performance is at once graceful and solidly grounded. But Mr. Pine is stuck with highfalutin pomposities as Meg's dad. At one point we see him rattling on about the wonders of science like some AI simulacrum of Neil deGrasse Tyson. Toward the end he tells Meg, "I wanted to shake hands with the universe, but I should have been holding yours," and you wonder how any scientist, however bold, would extend such a far-reaching handshake.

**IF THERE'S A SECRET** to a successful screen adaptation of "A Wrinkle in Time," it's still secret. Disney's version of the Madeleine L'Engle young-adult novel is a magical mystery tour minus the magic and mystery, and a great disappointment, since there were so many reasons to root for the film's success. It's a racially diverse production with elaborate sci-fi trappings centered on Meg Murry (Storm Reid), a smart, brave girl who is searching distant planets for her vanished father. It's also the first time a black woman, Ava DuVernay, has directed a megabudget studio spectacular. But a vital spark is missing, and all the digital wizardry in the cosmos can't replace it.

The source material has always presented challenges, maybe insuperable ones; a 2003 TV adaptation was a botch. Since its publication in 1962, L'Engle's book has been cherished by generations of young readers, but not for its tidiness. Travel across time and space simply happens—the only gesture toward an explanation is that something called a tesseract does the trick. The endearing heroine, in her early teens and convinced that she's an ugly duckling, gets help on her quest from a trio of shape-shifting celestial guides. The free-form narrative goes pinballing around such diverse areas as particle physics, Christian myth (those guides weren't assigned to the trip by a commercial tour operator) and the perils of conformity.

The core concern, though, is Meg's gradual discovery of her selfhood—of her beautiful and singular self. The book pulls readers along with unflagging energy, vivid imagery and a steadfast delight in Meg and her little brother, Charles Wallace (played here by Deric Mc-

Cabe), both of them prodigies of intelligence and passion who become fighters against the galactic forces of darkness.

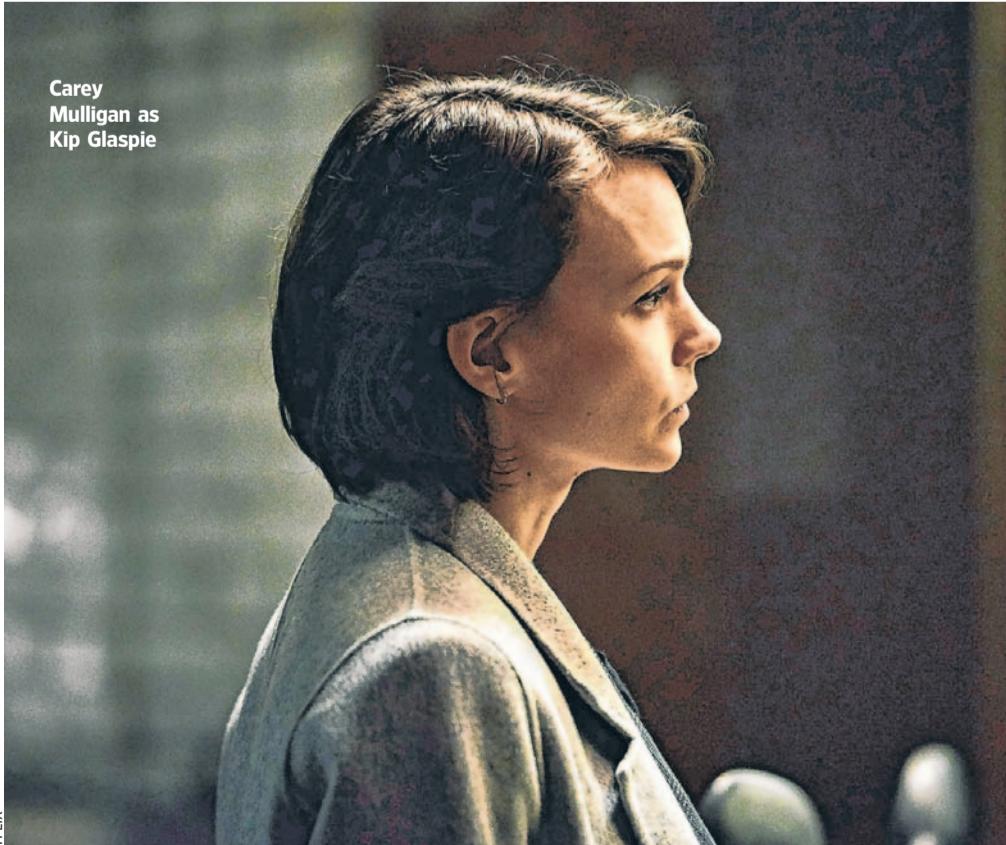
The movie lowers the kids' IQs, though they're still bright and articulate, and raises the cosmic stakes with heedless grandiosity. It isn't enough for Meg to be female and brave; she's exhorted to be a warrior (a word that doesn't appear in the book) by Oprah Winfrey's Mrs. Which, a lavishly bedizened and solemn apparition who hovers above the ground like a float in a Macy's Thanksgiving parade. (Her cohorts, Mrs. Who and Mrs. Whatsit, are played, respectively, by Mindy Kaling and Reese Witherspoon. Only Ms. Witherspoon manages to have any fun in her role, though precious little.)

Nor is it enough for Meg to feel loved for who she is, and worthy of love for what she manages to achieve. She is assured of love, showered with love in the hallowed tradition of the self-esteem movement. "Love is always there for you, even if you don't feel it," says her physicist father, who's played by Chris Pine, in a flashback to the family's life before he disappeared. Rather than trust the material's power to teach by example, the film dispenses extended-release doses of standard Disney nostrums—the primacy of family, the centrality of praise. In a teaching mode of its own, the script, by Jen-

nifer Lee and Jeff Stockwell, offers an early, and clankingly clinical, explanation of Meg's behavior when her school principal says "You can't keep using your father's disappearance as an excuse to act out." As for the dangers of conformity, they're dealt with glancingly in a couple of sequences that are photographed prettily—clone-like kids bouncing their balls in unison—but not developed dramatically.

From the evidence on screen, Ms. DuVernay and her colleagues lacked an original vision for the film. They devoted themselves to illustrating the book—sometimes strikingly, sometimes with music-video flourishes—yet never found its emotional essence, or the inti-

Carey Mulligan as Kip Glaspie



TELEVISION REVIEW | By Dorothy Rabinowitz

## FROM BRITAIN, A CONVOLUTED CASE

**THAT "COLLATERAL"**—a four-part Netflix drama involving the struggles of migrants seeking asylum, the evils of human trafficking, perfidious intelligence agencies, women's sexual victimization, drug-dealers and more—succeeds in achieving a certain suspense is no small miracle, given the confusion resulting from its hugely overcrowded script. Overcrowded by causes, that is, as well as characters. Its close-to-gripping powers derive from strong performances, among them Carey Mulligan in the role of an authority figure both unpretentious and also unshakably cool—a rare combination. She's Kip Glaspie, chief investigator looking into the murder of a pizza delivery man. In addition there's John Simm, wholly convincing as David Mars, a Labour Party politician who lives a confused emotional life, with domestic partners it isn't easy to keep straight.

There's nothing confused about his political views—he's enraged by efforts to

restrict immigration; he sneers at the nation having become "fortress Britain" and has been heard to charge, publicly, that "we really are turning into a nasty little country." But he's not the main focus—would that he were—of this drama by David Hare, which begins with the mysterious killing of the pizza delivery man, a Syrian. Which raises the possibility that this could be a hate crime—a motive soon put to rest. Detective Inspector Kip, persistent in her curiosity, is certain that none of the obvious explanations for this murder make sense.

It's a twisty road to the unraveling of this mystery, whose characters include a gay female vicar, Jane Oliver (Nicola Walker), in love with the sullen witness to the murder, and whose bottomless complications involve pizza itself. For a good part of the time it's a route worth traveling.

**Collateral**  
Friday, Netflix

## LIFE &amp; ARTS

TELEVISION REVIEW | By Dorothy Rabinowitz

# A Striving in the Blood



John F. Kennedy and Jacqueline Kennedy in 1963, above, and Robert F. Kennedy in 1968, right

pronouncements on the prospects for Britain's survival, his highly public support of efforts to appease Hitler, would, as he later recognized, rule out any possibility he might obtain the office he wanted most—namely, the presidency. He would transfer that ambition into efforts to ensure that one of his sons won the office.

The one who ended up chosen, John Kennedy, had, initially, no great interest in pursuing a political career. A young man just back from the war, he was more inclined to a life of parties and women. There would always be women—ever more of them during

his presidency. Strangely, given the encyclopedic coverage here of JFK's affairs, there's no mention of his father's extramarital adventures. True, next to his history as an appeaser prepared to do all to accommodate the Nazis, the charge of marital infidelity may seem a bit trifling.

The history of Joe Kennedy's efforts on behalf of his son's political career never loses its capacity to fascinate, and this chronicle's blow-by-blow report is no exception, however familiar the particulars. The boastful appeal of Joe Kennedy's comment after one victory—"For all the money I spent I

could have elected my chauffeur"—never loses its punch.

As the series progresses the portraits deepen. Particularly that of Jackie, whose adjustment to the family—especially to the senior Kennedy's unquestioned authority to decide everything—doesn't come easily. She was unhappy at her wedding not only because the reception was packed with hordes of people she didn't know—invited by Joe—but also because she disliked her wedding

dress, which she said made her look like a lampshade. The dress had been Joe's choice.

Her unhappiness increases with her husband's affairs. We see film of Marilyn Monroe, and her immortal rendering of "Happy Birthday" at the notorious 1962 celebration of JFK's birthday—an event Mrs. Kennedy, aware of rumors of her husband's dalliance with the actress, refused to attend. About this Diahann Carroll says "smart girl"—only two words, but in their knifelike dispatch they're a highly potent commentary.

The Kennedy years of this series abound in memorable crises—JFK



shaken by the disastrous Bay of Pigs invasion, the terrifying stand-off with the Russians over the Cuban missiles, the fires of the civil rights battles. Among the pictures, footage of Gov. George Wallace trying to keep his promise to block black students from entering the University of Alabama while he faces down the emissary sent by Justice Department head Robert Kennedy, the leading force in the administration's efforts to achieve integration. Wallace has to make an awkward retreat.

Of all the Kennedy family members, none is portrayed more compellingly than Robert Kennedy. The raw power of the pictures here of a mourning nation—of the immense crowds of Americans waiting for his funeral train so they can say goodbye to him with their homemade signs and their flags, is unforgettable.

The series consists of six episodes—hours well spent.

**American Dynasties: The Kennedys**  
Begins Sunday, 9 p.m., CNN

FILM REVIEW | By Joe Morgenstern

# LAUGHING IN THE GRAVEYARD OF HISTORY

**KREMLINOLISTS** used to scrutinize every prosaic photo or public statement from the upper echelons of the Soviet Union for clues to which official was in or out, who was ascending to power or gulag-bound. Now "The Death of Stalin" looks back at the scheming scoundrels who scrambled for power when the Soviet dictator died of a stroke in 1953 and reveals that some were more monstrous than others, but all of them were vulgar clowns of invincible stupidity. Armando Iannucci's absurdist comedy reveals this in an extremely loose manner of speaking, with malice aforethought, straight-faced glee and formidable sharpshooting that occasionally misfires. It isn't history but free-range fiction, a venomous farce containing nuggets of fact, and if its subjects bear any resemblance to present-day dictators and authoritarian mugs or thugs around the world, then the movie has hit its archetypal target.

Mr. Iannucci brings ample talent to the task, having created the TV series "Veep," and garnered an Oscar nomination several years ago as one of the writers of his debut feature, the profane political satire "In the Loop." His directorial style is broad, somewhere between "The Goon Show" and "The

Five Stooges" (plus secondary goons and fools). The quintet of Stalin's ministers consists of Steve Buscemi as Nikita Khrushchev, Simon Russell Beale as Lavrenti Beria, Jeffrey Tambor as Georgy Malenkov, Michael Palin as Vyacheslav Molotov and Paul Whitehouse as Anastas Mikoyan. All of the actors, including Adrian McLoughlin, who is briefly seen and heard as Stalin, speak English in the accents of their countries of origin. The effect is jarring, as it's meant to be, though no less so than seeing boastful Khrushchev and vile Beria doing drunken belly bumps.

These men are ruthless at best, mass murderers at worst; one joins in the spirit of their merriment reluctantly, even though the film's satiric intent is abundantly clear. And the production feels slapdash—it lays no claim to the perfection of Stanley Kubrick's "Dr. Strangelove," the sophistication of Ernst Lubitsch's "To Be or Not to Be" or the star power of Charlie Chaplin's "The Great Dictator" (which was a slog except for spurts of comic brilliance).

All the same, "The Death of Stalin" gets off lots of clever jokes—finding a doctor for the comatose Stalin is hard because all the good ones are in the gulag—and gets at political

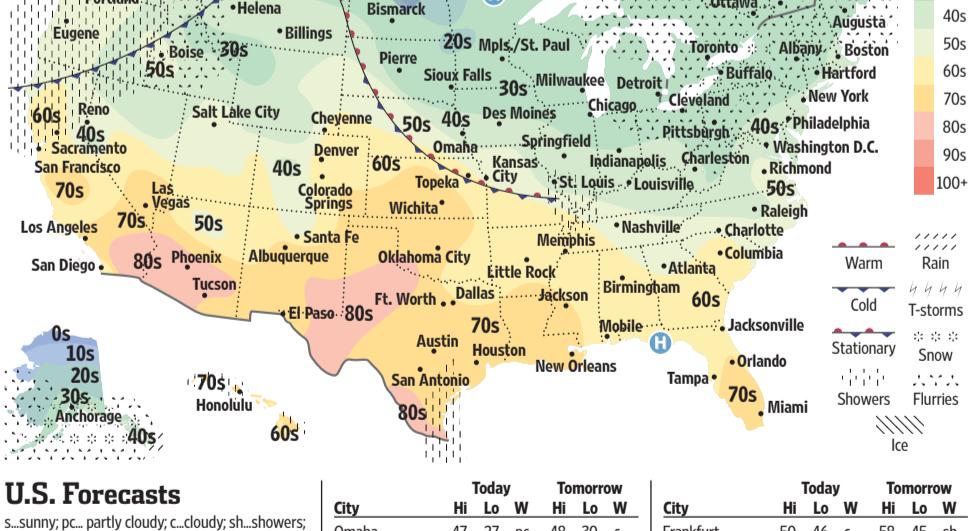


Dermot Crowley, Paul Whitehouse, Steve Buscemi, Jeffrey Tambor and Paul Chahidi

and historical truths on its own terms. Power doesn't have to corrupt, the film suggests; many come to it pre-corrupted, as well as ignorant, fatuous and heedless. The most memorable exemplar of unsheathed evil is Beria, who was, in fact, Stalin's peerlessly murderous executioner. Here, in Mr. Beale's interpretation, he looks a bit like Louis B. Mayer, but there's no mistaking the man's madness as he wields his lists of ordinary citizens to be slaughtered, and warns his colleagues that "I've got documents on all of you."

Four writers, Mr. Iannucci among them, are credited with adapting the script from graphic novels by Fabien Nury and Thierry Robin, and from an original screenplay by Mr. Nury. The cast includes Andrea Riseborough as Svetlana, Stalin's daughter, and Ru pert Friend (Peter Quinn from "Homeland") as Vasily, the dictator's son. Vasily's distinction, thanks to Mr. Friend's performance, has nothing to do with who he is politically or historically. Rather, he's just plain funny—funny haughty, frantic or drunk.

## Weather



## U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

Anchorage 35 18 sf 33 17 c

Atlanta 59 44 s 66 49 pc

Austin 73 62 pc 88 56 t

Baltimore 45 27 pc 49 27 s

Boise 54 31 sh 54 37 s

Boston 41 32 pc 44 31 pc

Burlington 38 26 sf 39 30 sf

Charlotte 54 37 s 64 46 pc

Chicago 39 24 pc 42 29 s

Cleveland 35 27 sf 36 24 pc

Dallas 72 61 pc 78 52 t

Denver 64 31 pc 51 20 c

Detroit 37 23 c 39 25 s

Honolulu 78 66 pc 79 67 c

Houston 74 63 pc 83 62 t

Indianapolis 42 26 pc 47 28 pc

Kansas City 58 32 pc 55 37 c

Las Vegas 78 56 pc 72 59 pc

Little Rock 68 51 pc 63 46 r

Los Angeles 73 57 pc 66 57 r

Miami 72 60 s 78 68 pc

Milwaukee 37 25 s 38 29 s

Minneapolis 54 21 pc 59 26 c

Nashville 45 45 pc 58 44 r

New Orleans 72 58 s 77 63 t

New York City 42 30 sf 43 28 pc

Oklahoma City 71 51 pc 68 38 c

Today Hi Lo W Tomorrow Hi Lo W

City

Omaha 47 27 pc 48 30 c

Orlando 70 44 s 78 31 c

Philadelphia 43 28 sf 45 25 s

Pittsburgh 36 23 sf 41 22 pc

Portland, Maine 39 27 pc 44 29 c

Portland, Ore. 54 35 c 60 42 s

Sacramento 69 47 c 61 49 r

St. Louis 48 35 c 52 35 c

Salt Lake City 57 38 p 56 37 pc

Topeka 36 23 pc 40 26 sn

Wash. D.C. 47 31 pc 52 31 s

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Cold T-storms  
Stationary Snow  
Showers Flurries  
Ice

## The WSJ Daily Crossword | Edited by Mike Shenk



## NONSTARTERS | By Marie Kelly

The answer to this week's contest crossword is a five-letter word.

**Across**

- 1 Kilaea output
- 5 Wonka portrayer
- 9 Blue hue
- 13 Nonstop
- 15 Under any circumstances
- 16 Valueless
- 17 Bridge bid, briefly
- 18 A starter starts it
- 20 A starter starts it
- 22 Billing partner
- 23 Creepy stare
- 24 Least expansive
- 25 Expletive expurgator
- 28 Al Jazeera's home
- 29 Game with Skip, Reverse and Draw Two cards
- 30 What may be intended
- 32 Protected from rain delays
- 36 Pirate hanged in 1701
- 38 Hard up
- 40 Swift shark
- 41 Auto with a horse collar grille
- 43 Prop for Bo-Peep
- 45 Ballot markings
- 46 Cumbersome
- 48 Play in many theaters
- 50 Evening dress
- 53 Alarmed exclamation
- 54 Jubilant
- 55 A starter starts it
- 59 A starter of a sort
- 61 Queen of Salsa Cruz
- 62 Blacken
- 63 Unlikely prom king
- 64 Colleague of Stahl, Pelley and Logan
- 65 Zimmer of movie scores

► Email your answer—in the subject line—to [crosswordcontest@wsj.com](mailto:crosswordcontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, March 11. A solver selected at random will win a WSJ mug. Last week's winner: Bruce Cranna, Needham, MA. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary.) Void where prohibited. U.S. residents 18 and over only.)

## PUZZLE CONTEST

- 66 Crown inlays
- 67 Darn it all!
- Down**
- 1 Appear ominously
- 2 Queen Elsa's sister, in "Frozen"
- 3 Zig or zag
- 4 Yearly records
- 5 Office scheme
- 6 Hunter of books
- 7 Pricing word
- 8 Like fabric in quilting
- 9 Wavelength measure
- 10 Extremely
- 11 Humerus neighbors
- 12 Quick-witted
- 14 Pamper
- 19 Santa-tracking org.
- 21 Crane cousin
- 24 Enthusiastically determined
- 25 Veggie from a vine
- 26 Oklahoma city named for a Tennyson character
- 27 Affirmative actions
- 28 Letter to a publisher
- 31 Bushel fractions
- 33 Modest skirt
- 34 Just managed, with out
- 35 Hypo helping
- 37 Clinton and Trump, in 2016
- 39 Meditation masters
- 42 Network director
- 44 Hundredth of a ruble
- 47 Dock work
- 49 Das Augenlicht composer
- 50 Yellowish pink
- 51 Leader of the pack
- 52 Kobe's country
- 53 Gridiron gains
- 55 Earthen embankment
- 56 Matty, Felipe, Jesus or Moises
- 57 Garage apparatus
- 58 Pulldowns target them
- 60 X Y & \_\_\_ (Elizabeth Taylor movie)

## Previous Puzzle's Solution



## SPORTS



## BASKETBALL

## A Mom From Tokyo: Drawn to the NBA

**She knew nothing about the Oklahoma City Thunder. Then she watched Russell Westbrook. Now even the players know her art.**

BY BEN COHEN

**Tokyo** **NANA YAMANO**, a 43-year-old stay-at-home mother in the Tokyo suburbs, was bored doing laundry one morning a few years ago when she turned on her television and found herself oddly transfixed by the NBA.

It was by pure serendipity that she tuned into this 2012 playoff game between the San Antonio Spurs and Oklahoma City Thunder. She was not an NBA fan. In fact she knew pretty much nothing about the NBA. Which is why her attention gravitated toward the one player who was unlike anyone else on the court in such an obvious way that even she could see it. Yamano was captivated by Russell Westbrook.

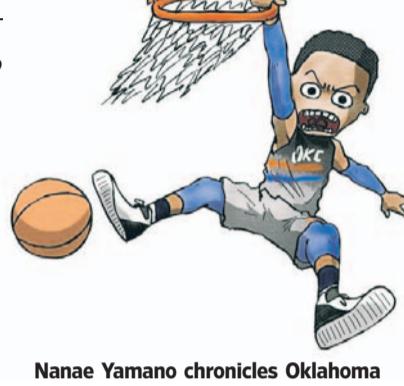
"I saw Westbrook play for the first time and thought: What a weird guy," she said through a translator recently before adding in English: "Isn't he weird? So weird!"

He was so weird that she hasn't been able to stop thinking about him since. Westbrook and the Thunder have become Nanae Yamano's obsession.

That is how much the basketball world has shrunk: This unlikely Oklahoma City Thunder fan lives thousands of miles and 15 times zones away from her favorite team. She has never been to Oklahoma City. Or the U.S. Or anywhere outside Japan. "I don't even have a passport," Yamano said.

But she has NBA League Pass, Twitter and Instagram accounts and so much time for basketball that she doesn't have to bother clearing her schedule. "Actually," Yamano said, "I have no schedule." She sends her son to school, and then she watches the Thunder.

She went from not knowing anything about the NBA to know-



**Nanae Yamano chronicles Oklahoma City's season by releasing a sketch after every Thunder game—color for wins, black and white for losses.**



ing everything there was to know about the Thunder. By the 2016 season, she was beginning to suffer the miserable anxiety of caring way too much about sports. Like other fans, she worried about the possibility of Kevin Durant leaving Oklahoma City. Unlike other fans, she coped by inventing a universe in which Durant and Westbrook could peacefully coexist.

"I couldn't write, because I'm not a writer," she said, "so I



BEN COHEN/THE WALL STREET JOURNAL; NANA YAMANO (DRAWINGS)

started drawing."

Her depictions of Durant and Westbrook were delightfully absurd. Each one was a tiny burst of unexpected and sometimes inexplicable joy. But things didn't work out the way she hoped. The Thunder lost to the Warriors in the playoffs that season and lost Durant to the Warriors that summer.

Yamano was always going to take Westbrook's side in the breakup. He is her muse. His manic style of play inspires her for the same reason it once intrigued her. "He seems really unstable," Yamano said, "but that's actually his stable state."

He matured into the NBA's Most Valuable Player, and she expressed herself through her art. Yamano chronicled Oklahoma City's season by releasing a sketch after every game—color for wins, black and white for losses—and what happened next is the kind of thing

that happens when artists create something unlike anything else that already exists.

She was discovered. People started paying attention to her work. Some of those people happened to play for the Thunder.

Oklahoma City center Steven Adams thought her sketches were funny enough that he made sure they spread around the locker room. "Sent them over to the lads," Adams said. "It's quite unique what she's doing."

Her fans ask Yamano how they can buy her work and where she lives in Oklahoma. She responds by saying it's not for sale. And she lives in Japan.

Adams had no idea. He was extremely pleased.

"Oh, amaaaaaaazing," he said.

Yamano says she actually prefers watching the Thunder from the other side of the world. She doesn't think she can handle the

NBA in person. "Too much," she said through a translator, Reo Onishi, who runs a website called Bulls Fan in Japan. "I'm already crazy as is just by watching them through League Pass."

There was one recent Saturday night game—or Sunday morning game—that was bound to stir those emotions in Yamano. She organized a small party in Tokyo anyway. Which is how she found herself inside a basketball cafe here called Ball Tongue to watch the Thunder play the Warriors.

Yamano had advertised the event on Twitter, and she was surrounded by NBA die-hards eating their brunch of soup, potatoes and curry. She talked to herself and others throughout the game. (Her normal conversations about Westbrook and the Thunder are "usually her doing the talking and me listening," said her husband, Ken, in an email.) She cackled when Draymond Green missed a shot. She howled during a frantic Oklahoma City possession. "Arigato gozaimasu!" she cheered for an offensive rebound leading to an open Adams jumper.

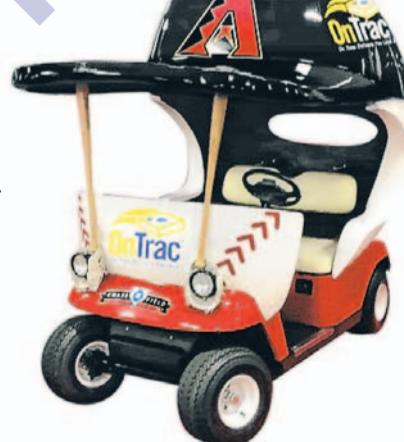
When the game was finally, mercifully over—the Warriors beat the Thunder by 32 points, Oklahoma City's worst loss of the season—it was time for Yamano to become Picasso.

She turned her iPad into a sketchpad and only realized what she was drawing as she began to doodle with her Apple Pencil. Her take on the blowout: Paul George burying his head next to a brooding Westbrook. The whole process took precisely 20 minutes.

"I grew up in the countryside," she said. "I've never really had a community that I belonged in. I was just a weird person—always, always." And then she found other NBA fans online. She no longer felt alone. "It's just a bunch of weird people like myself," Yamano said.

BASEBALL | By Jason Gay

## WHAT IS THIS BULL...PEN CART!?



**The Diamondbacks are bringing back the bullpen cart. Right, the Red Sox cart in 1977.**

on this planet: people who like bullpen carts, and serial killers. A wacky bullpen cart warms my nostalgic heart, taking me back to the days of artificial turf, vinyl records, and inflation.

Diamondbacks CEO Derrick Hall sounds like he feels the same way.

"As a kid, one of the most exciting things in a game was when the bullpen cart would come out," Hall told me this week. "I've been sad they went away."

Yes, bullpen carts disappeared, like the dinosaurs and human beings listening to their voice mails. A history by ESPN's Paul Lukas reported that bullpen carts (or cars) began in the 1950s and the last bullpen vehicle—a Harley with a sidecar used by the Atlanta Braves—was phased out in 1995.

Bullpen carts are awesome.

There is no middle ground on this. There are only two types of people



(L-R: ARIZONA DIAMONDBACKS; FRANK O'BRIEN/THE BOSTON GLOBE/GETTY IMAGES)

But the fever remained, burning gently. MLB.com's Michael Clair rhapsodized over carts in a story just this February: *Those goofy, baseball-shaped carts that dominated baseball in the 1970s arrived with little fanfare and departed with even less...today, there exists a small band of believers who are doing their best to bring them back, no matter the odds.*

Well, they're back, baby! And it's a dream come true for Michael Sofia, a Tampa resident whose company, SportsKartz, is tasked with building the two D-Backs rides.

A former police sergeant from Rochester, N.Y., Sofia retired from law enforcement and moved to

sunny Florida, whereupon he began a quixotic, part-time mission to return bullpen carts to the game.

Sofia's story sounds a lot like Derrick Hall's—he loved the carts as a kid, and lamented their end. The first cart SportsKartz made was for Sofia's hometown minor-league franchise, the Rochester Red Wings. The second was for the Vancouver Canadians club.

That's right; thus far, SportsKartz has only made two carts.

"We still haven't made any money yet," Sofia said. "I never expected it to turn into a business."

But now—amazingly—SportsKartz is going to The Show. Since

the Diamondbacks announcement, Sofia's received queries from a couple of other major league franchises, as well as fans who want private carts.

I thought making a bullpen cart was easy—just throw a giant plastic cap on top of an electric golf cart, and you're good to go. As usual, I'm a moron. Sofia walked me through a complicated process which involved expensive molds and the talents of a local fabricator who works on rides for Busch Gardens and Universal Studios. The full setup involves the molded ball and bat, gloves for headlights, and wooden bats holding up the roof.

"People want the iconic look, which we try to duplicate as best as we can," Sofia said.

Hall envisions the Diamondbacks's carts having other purposes beyond games—they can do marketing and public events, and they've already landed a title sponsor, the shipping company OnTrac. These will be the franchise's first carts, too—the D-Backs are entering their 21st season.

Relievers won't be required to use it, Hall said. The team doesn't want pitchers to feel obligated. After all, a generation of relievers is accustomed to a dramatic trot to the mound, often with their own theme music. ("Enter Sandman" cranking as Mariano Rivera gently rolls in via bullpen cart doesn't offer quite the same drama.)

Still, Hall said, "pitchers are superstitious. If they come out a few times in it, and do well, they will keep on using it."

Could carts speed up the game? Hall isn't sure. The team had to get approval from MLB to reintroduce the carts, and the league was curious if it might help with pace of play, he said.

"We'll watch and see," he said.

So will Mark Sofia. "I'm going to be there on opening day in Phoenix," he said. "When that thing rolls out on the field, I can't imagine how I will feel."



## OPINION

## REVIEW &amp; OUTLOOK

## Trump's Hoover Temptation

**D**onald Trump's decision to impose steel and aluminum tariffs and the resignation of chief economic adviser Gary Cohn this week mark a dangerous moment in his Presidency. To wit, is this when an Administration that has pursued surprisingly sensible economic policies veers into the Herbert Hoover ditch?

We use the Hoover comparison advisedly because he was the last Republican President who embraced tariffs as sound economic policy. George W. Bush imposed steel tariffs in 2002 but at least he did so in the name of getting trade-promotion authority through Congress. He put an initial time limit of three years and ended them early.

Ronald Reagan also agreed to targeted restraints on imports of cars and some other goods. But when Congress considered more dangerous trade restrictions, the Gipper issued a warning. "Some of us remember the 1930s, when the most destructive trade bill in history, the Smoot-Hawley Tariff Act, helped plunge the nation and the world into a decade of depression and despair," he said in a weekly radio address in 1985. "If the ghost of Smoot-Hawley rears its ugly head in Congress, if Congress crafts a depression-making bill, I'll fight it."

Reagan understood this because he had lived through the depression and absorbed the lessons of its causes. Hoover had doubts about Smoot-Hawley as it moved through Congress in 1930, and 1,028 economists signed a letter urging him to veto it. But the businessman-politician understood little about economics, and tariffs at the time were what the economist Joseph Schumpeter called the "household remedy" of the Republican Party.

\* \* \*

Economists still debate the causes of the Great Depression, but there's little dispute that the trade war that followed Smoot-Hawley made the downturn worse. Global trade contracted. U.S. imports, which were \$5.9 billion in 1929, fell to \$2.1 billion over the next three years. Deflation took hold.

The economic historian Charles Kindleberger judged that the root cause was a lack of a global leader to repel narrow economic nationalism. Britain had led the world trading order for a century but was exhausted by World War I. The U.S. should have taken the mantle but didn't. "When every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all," Kindleberger wrote.

The trauma unleashed by Smoot-Hawley led to some self-reflection, even in Congress, which empowered Secretary of State Cordell Hull to negotiate trade-expanding bilateral accords in the 1930s. After World War II the U.S. led the effort to create the General Agreement on Tariffs and Trade, or GATT. For decades a rough consensus held in the U.S. that trade was crucial to prosperity, and every U.S. President until Donald Trump adhered to that belief to one extent or another.

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What makes the current moment especially dangerous is a confluence of political forces not unlike those of the 1930s. This Republican Congress is less protectionist, but Congress over recent decades has ceded much of its trade authority to the President. The not unreasonable assumption was that Congress represented particular or regional interests while a President would act in the national economic interest.

But even Members who created trade statutes like 201, 301 or 232 never anticipated that a true-believing protectionist like Mr. Trump would become President and wield that unilateral power. He believes against all economic evidence and history that a nation's trading balance is a zero-sum proposition—deficit bad, surplus good.

## Xi Jinping's Military Might

**T**he annual session of China's rubber-stamp legislature opened this week, and Chinese Premier Li Keqiang announced an 8.1% increase in defense spending, the largest in three years. Lawmakers are expected to approve the military budget and constitutional changes to let supreme leader Xi Jinping serve as President indefinitely. All of this will amplify the angst in Asia about Beijing's military buildup.

The budget of the People's Liberation Army (PLA) isn't transparent, and the U.S. Defense Department estimates that spending is about 25% higher than Beijing's figure. More important, Mr. Xi is remaking the military into an effective fighting force. Under previous leaders, the PLA became top-heavy with generals whose main mission was to line their own pockets. They padded the ranks with followers and offered promotions in return for bribes. An anti-corruption campaign has netted 16 top generals in the past six years.

Mr. Xi has replaced them with loyalists, giving him the clout to reform the PLA. He replaced regional commands that were personal fiefdoms with theater commands that require the army, navy and air force to work together, much as the U.S. did after the Goldwater-Nichols Act in 1986. Beijing is reducing the military's headcount and investing the savings in sophisticated weapons. Since 2015 the PLA has shed 300,000 troops. Instead of relying on human-wave attacks, it is racing the U.S. to develop artificial intelligence for the battlefield.

## China's leader is remaking the PLA into a serious fighting force.

Under Mr. Xi the PLA is harassing U.S. forces in the international waters and airspace off China's coast. Chinese vessels and aircraft are

testing Japanese defenses around the disputed Senkaku Islands almost daily. Despite a promise by Mr. Xi that China would not militarize the seven artificial islands it reclaimed in the South China Sea, the PLA has built hangers for 72 fighter aircraft and 10 bombers.

Beijing is also stoking nationalism at home to an extent not seen since the death of Mao Zedong. Feature films such as "Wolf Warrior" show the PLA fighting abroad, while television documentaries extol the military's reforms and growing strength. Mr. Xi's "China Dream" slogan includes a "strong army dream," and last year he reviewed troops on Army Day without other senior leaders present.

All of this raises questions about Mr. Xi's intentions. The U.S. retains a military edge over China, but that is slipping as the PLA seeks to build a blue-water navy, and deploy weapons that could kill U.S. satellites and put American aircraft carriers at risk.

Mr. Xi's predecessors also increased China's military budget. But his success in amassing personal power and his record of using the PLA to intimidate neighbors mean his moves to build military might will be closely watched from Japan through the Straits of Malacca to the Indian Ocean. One lesson of history is that rising authoritarian powers often make the mistake of tempting conflict in the name of nationalist glory.

## A confluence of political forces echoes the blunders of the 1930s.

Meanwhile, no other nation is ready to lead in America's place. Chinese President Xi Jinping has auditioned for the job in places like Davos, but China's policies have become more mercantilist and predatory under Mr. Xi's regime. The world doesn't trust China.

The better news is that 11 other Asia-Pacific nations this week signed the tariff-reducing Trans-Pacific Partnership that Mr. Trump abandoned, and many other nations are striking trade deals with each other. This might limit the global damage from a protectionist America, though as the largest economy the U.S. can still do great harm.

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The question is how far Mr. Trump will go with his protectionist eruption. Equity markets were up slightly Thursday on hearing that Mr. Trump is carving out exceptions to his metals tariffs for Canada and Mexico pending a renegotiation of Nafta. This is still an economic gun to the head, including America's, since withdrawing from Nafta would do far more damage than steel tariffs. And offering to exempt other countries as long as they satisfy certain U.S. demands will create a new mess of uncertainty and politically managed trade.

Looming as well is Mr. Trump's vow to open a protectionist assault on China. Beijing's bad practices need addressing, not least its intellectual-property theft and ill-treatment of foreign companies trying to operate or sell in the Chinese market. But this is best handled with market-opening diplomacy, not blunderbuss tariffs that are sure to lose at the World Trade Organization and invite retaliation.

The danger with trade brinksmanship is that its outcome is impossible to predict. If countries retaliate against Mr. Trump's steel taxes, his Donald of Queensborough rules might command that he hit back in kind. If nationalist politics take hold in the U.S. or other countries, no one can predict the ultimate economic damage—or worse. Some historians believe that Japan concluded from Smoot-Hawley in the 1930s that the U.S. wouldn't tolerate the expansion of Japanese trade. We know where that led.

The danger is compounded by Mr. Cohn's departure and the emerging dominance of Mr. Trump's antitrade advisers—Commerce Secretary Wilbur Ross, domestic White House aide Stephen Miller, U.S. trade rep Robert Lighthizer and protectionist-at-large Peter Navarro. If Mr. Navarro replaces Mr. Cohn at the National Economic Council, the rational move would be to flee the stock market.

Mr. Trump needs a pro-growth replacement who will give him an alternative view. Outside advisers like Larry Kudlow and Art Laffer have all told him his protectionist turn is folly, so bringing someone like them or former Senator Phil Gramm into the White House will be a test of how open to differing views Mr. Trump really is on trade.

\* \* \*

Perhaps free traders in Congress will begin to find their voice again, as 107 House Republicans did this week in a letter to Mr. Trump opposing the metals tariffs. They realize that a trade war will compromise the economic gains from tax reform and deregulation and further jeopardize GOP control of Congress. But they'll get little help from Democrats like Senate Minority Leader Chuck Schumer, who is cheering on Mr. Trump knowing his party will benefit from economic turmoil.

All of which puts the onus on Mr. Trump to reconsider his march to trade war. The policy successes of his first year have set the economy on the strongest growth path in 12 years. He risks that progress and more if he embraces the protectionism that doomed Herbert Hoover nearly a century ago.

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In "The Legal Case for Striking North Korea First" (op-ed, March 3), Michael Zimm

## LETTERS TO THE EDITOR

## Rauner Not the Answer to Illinois's Problems

Regarding James Taranto's "The Weekend Interview with Bruce Rauner: Bruce Rauner vs. the Illinois 'Mafia'" (March 3): Here are some things the interview misses about the past three years: Our unfunded pension liabilities—already the worst in the country and rapidly bankrupting us—have grown by an appalling 25%. An enormous backlog of unpaid bills has grown from \$6.6 billion to nearly \$16 billion. We have lost manufacturing jobs while everyone in our region has enjoyed substantial growth in that sector. Our personal-income growth is the worst in the nation. Our state's credit has been downgraded eight times.

Gov. Rauner has managed incompetently, chosen inopportune and foolhardy political battles, taken those political battles and made them needlessly and fruitlessly personal and failed to execute basic reform even in the significant areas of state government in which the legislature couldn't stop him.

What Mr. Taranto calls the mafia, in Illinois we call "the combine"—the bipartisan group of people who twist policy for their own personal gain. It includes special-interest groups, but also a bipartisan group of elected officials. Like the mafia, the combine enriches itself at the

expense of others. Unlike the mafia, the combine has legal authority to do the dirty work it does. If it were the mafia, Gov. Rauner's strategy might've worked. But it isn't, and he failed.

The Journal contends that I can't win a general election. In addition to being self-fulfilling, defeatist nonsense, it's also not true. I've built a reputation in Springfield for honesty, sincerity and hard work. Where our circles have overlapped, I've worked closely with liberals in the state house. If, as expected, the Democrats nominate an out-of-touch billionaire hotel heir with ties to one of our disgraced former governors, I would offer the contrast of a middle-class mom who's a graduate of West Point. Rather, it is Bruce Rauner—who has lied to and betrayed the conservative base of the GOP—who can't win a general election.

There isn't much that Illinois has done, before 2015 or since, that your readers would recognize as something these pages would celebrate. You should take another look at the Republican primary in Illinois.

Jeanne Ives

Wheaton, Ill.

*State Rep. Ives is running against Gov. Rauner in the Republican gubernatorial primary.*

## Striking North Korea First Is a Bad Proposal

In "The Legal Case for Striking North Korea First" (op-ed, March 3), John Bolton argues, in essence, that the mere possession of nuclear weapons and long-range delivery systems by an adversary constitutes an "imminent threat," justifying an immediate use of force.

By Mr. Bolton's measure, North Korea has a better case for preventive action than does the U.S. Our forces regularly exercise outside North Korean territory. The U.S. has already deployed nuclear delivery systems capable of utterly destroying North Korea, a force far more threatening than North Korea's fledgling nuclear arsenal.

The United Nations Charter forbids the threat or use of force except in self-defense or when authorized by the U.N. Security Council. Threats to peace—which do indeed exist in the confrontation between North Korea and the U.S.—must be referred to the Security Council. In all of its resolutions on the matter, the Security Council has stressed the need to pursue a peaceful resolution of this dangerous standoff. The council has been clear in its refusal to authorize the use of military force by any party.

Mr. Bolton's position is dangerous nonsense. He would have us drive a

final nail in the coffin of international law—and quite possibly in the coffin of civilization.

Andrew Lichtenman

Western States Legal Foundation

Oakland, Calif.

John Burroughs

Executive Director

Lawyers Committee on Nuclear

Policy

New York

If the U.S. pre-emptively strikes North Korea, millions of our South Korean allies will perish in the immediate aftermath.

Peter Masse

Cortland, N.Y.

"Pre-emptive strike" is the adult version of, "I had to hit him before he hit me." This is a justification universally rejected by every mother I have ever known.

Whether an act is legal or not, legal doesn't mean it is right, moral or acceptable in the eyes of the world. All acts have unexpected consequences, and bad acts are likely to have more unpleasant ones.

It is better to maintain peace by having superior firepower than to destroy peace by using it.

Elin Guthrie

Los Angeles

## The Liberal Arts Provide Real, Useful Skills

In "If You Want Your Child To Succeed, Don't Sell Liberal Arts Short" (op-ed, March 3), Michael Zimm

states, "rest assured that plenty of liberal-arts teachers and majors are anything but activists." Really? In January 2017 Boston Magazine ran a story entitled "How Liberal Professors Are Ruining College" by Chris Sweeney. Research by Samuel

Abrams, a professor of politics at Sarah Lawrence College, showed that college campuses have overwhelmingly hired professors who lean to the left. Here in New England we have 28 liberal faculty members for each conservative. And these teachers aren't just liberal. They are putting free speech on ice in the classroom and in the faculty room.

A liberal-arts education means something very different than it did for my generation. Surely this is one reason why many parents have encouraged their children to look at other avenues for their education.

Brad Bailey

Monroe, N.H.

A liberal-arts education could be the basis of any career if educators returned to the original concept of the *artes liberales*, known in antiquity and the Middle Ages as the trivium (grammar, rhetoric, logic) and quadrivium (arithmetic, geometry, astronomy, music).

The liberal arts will never be restored to what they were until they are disassociated from the humanities, with which they have become synonymous. The term "humanities" didn't exist until the 1930s and was conceived as a program that would explore the interconnection between languages and literature, history, philosophy, religion, art and music. These days a humanities course could consist of anything, even pornography as an art form. If educators

are serious about keeping the liberal arts alive, they should return to the trivium to prepare graduates to be articulate and responsible citizens. This would require hiring instructors to help students develop the communication and analytical skills they need to succeed. Otherwise, a college education is a colossal waste of money.

Em. Prof. Bernard F. Dick

Fairleigh Dickinson University

Teaneck, N.J.

It might seem paradoxical, but in an age of specialization the broad scope of a liberal-arts education has never been more important. The era of rapid technological change we live in calls for more than STEM skills. To prosper requires facility in communications, critical thinking, analytical judgment and long-range planning that goes beyond binary boundaries. Just ask the folks at Kodak, Compaq, Yahoo, Xerox or BlackBerry.

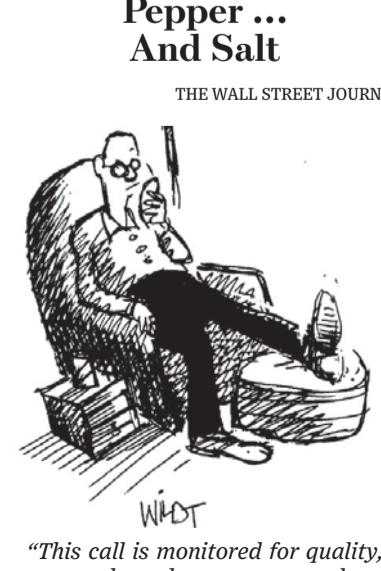
The value of a liberal-arts education, as I have learned, is that it trains you for nothing but prepares you for everything.

John E. Stafford

Rye, N.Y.

## Pepper ... And Salt

THE WALL STREET JOURNAL



"This call is monitored for quality, so please keep up your end of the conversation."

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## OPINION

# The Raid on AIG's Equity Was Illegal

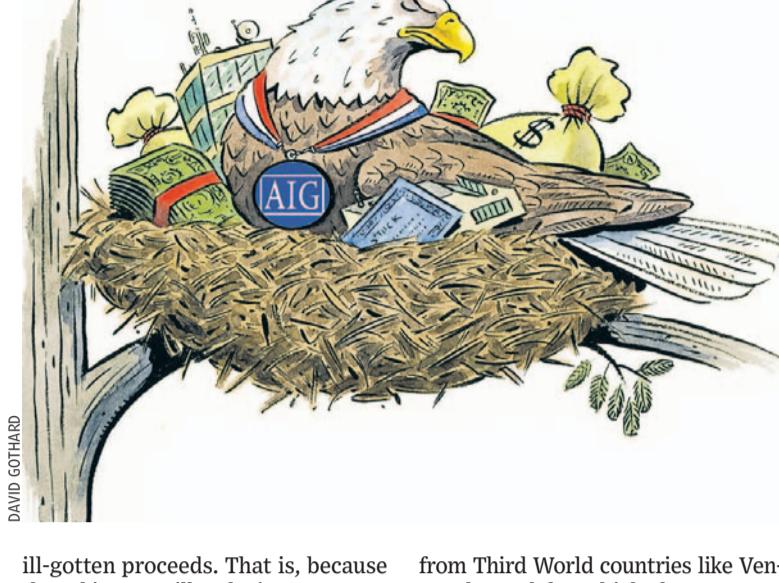
By Philip Hamburger

**T**he U.S. Supreme Court is considering whether to take up an important property-rights case, and the stakes couldn't be higher. Unless the justices repudiate the lower courts in *Starr International Co. v. U.S.*, the case will lay down a strange principle: that the government may unlawfully deprive shareholders of their ownership and control of a company as long as it does not formally seize their shares.

Starr International and its co-plaintiffs are shareholders of American International Group, an insurance company that was bailed out after the 2008 financial crisis. The shareholders claim that in the course of propping up AIG with a massive loan, the government—in violation of federal statute—demanded nearly 80% of equity in the company. The issuance of new shares to the government diluted the voting power and long-term value held by the shareholders, even as they retained the same number of shares.

**But the courts so far have refused to order a remedy. The Supreme Court must rectify this injustice.**

Government interference in property rights is often associated narrowly with the Constitution's Takings Clause, which bars government from taking private property for public use without just compensation. But the Takings Clause, which provides for lawful seizure of property, is not the only protection for property rights. Even more basically, government may not exact property unlawfully, and it must return any property that it acquires through an unlawful exaction. When the government sells the property it exacted, as it has done with the AIG shares it acquired, it ordinarily must return its



DAVID GOTTHARD

ill-gotten proceeds. That is, because the taking was illegal, "just compensation" isn't enough. The shareholders have a right to get back what was unlawfully exacted or the proceeds.

Even when a company is illiquid or insolvent, ownership can have residual value, if only on account of potential legal claims. In this case, the residual value was that AIG might recuperate, and the government unlawfully took advantage of that prospect. After the bailout, the company came to be worth many billions of dollars, and the government seems to assume that because its actions enabled the company to recover, it does not have to comply with longstanding doctrine requiring the return of the property or proceeds. The implication is that when the government provides crucial assistance, it can escape its legal obligations.

The government's behavior here is thus even worse than in the infamous takings case of *Kelo v. New London*, in which a local government seized private property for use by another private party. *Starr International* involves not merely a lawful taking but an illegal exaction—the sort of confiscation that is familiar

from Third World countries like Venezuela, and for which the same excuse is offered: that the exaction a necessary response to an economic emergency.

The Supreme Court needs to hear *Starr International* because the lower courts have repeatedly failed to require the government to return the proceeds of the unlawfully seized property. The trial judge in the U.S. Court of Federal Claims expressly found that the government's "illegal exaction" constituted "plain violations of the Federal Reserve Act."

Under that statute, the Federal Reserve could lend money to a corporation in AIG's circumstances, but the statute authorizes the government to issue such a loan only for interest, not for equity or voting control. The statute, moreover, authorizes only the Fed's Board of Governors to establish a loan's terms—something it did not do for AIG's equity and control terms. The trial judge was thus right to find that the government violated the Federal Reserve Act and engaged in an illegal exaction. But he did not restore the stolen property. His explanation was that there were no damages—a puzzling argument, because the remedy for an illegal exaction is

not damages but the restoration of the property itself or the proceeds.

The U.S. Court of Appeals for the Federal Circuit did not deny that the government had illegally exacted property. Nor did it dispute that the remedy would ordinarily be a restoration of the confiscated property or the proceeds. But the appellate court similarly avoided giving a remedy—this time on a theory of "prudential standing." The difficulty is that where, as here, the plaintiff met the constitutional test for standing, the court should not have been able to turn aside the case for "prudential" reasons.

Why have both the trial and the appellate courts so persistently avoided giving a remedy? The trial judge noted that the government "publicly singled out AIG as the poster child for causing the September 2008 economic crisis." AIG's shareholders may therefore seem distinctly undeserving. But the judge also noted that "the evidence supports a conclusion that AIG actually was less responsible for the crisis than other major institutions." It thus seems important to state bluntly that unpopularity, including unpopularity stirred up by government officials, is not a lawful reason to deny legal recourse to anybody.

It should not be presumed that the lower courts acted in anything but a principled manner. Even the best of judges, however, can un-self-consciously veer away from conclusions they fear will be unpopular. In any event, if the appellate court's decision stands, it will set a dangerous precedent: that the government can get away with illegally exacting property—at least in cases in which it provides crucial aid and singles out the target for public delegitimization. It is therefore profoundly important that the Supreme Court take up the case and reaffirm longstanding principles of property rights and recourse to the courts.

*Mr. Hamburger is a professor at Columbia Law School and president of the New Civil Liberties Alliance.*

## Passive Investors, Don't Vote

By Dick Weil

**V**otes on corporate governance allow shareholders to steer actively the companies they hold. But large passive investors increasingly are crowding out the influence of smaller peers that have more at stake in each company's performance. The Securities and Exchange Commission helped create this problem by urging all investors to increase their engagement, and it should correct its error by issuing new guidance asking passive investors to abstain from shareholder votes.

Consider the case of BlackRock, the world's largest money manager. In his annual "Letter to CEOs" this January, chief executive Larry Fink expressed the firm's commitment to influence the companies it holds. But with regard to its \$4.6 trillion index funds, the firm is barred from steering companies by actively trading their equity. "As a result," Mr. Fink concludes, "our responsibility to engage and vote is more important than ever."

### The SEC should recognize that index funds have no interest in the performance of particular companies.

This hope to guide companies through governance makes sense, but passive-fund managers like BlackRock lack a strong incentive to cast informed votes. Index funds retain shares of each company they hold at a rate determined by the company's market value benchmarked to a certain index. As a consequence, it matters little to them whether individual companies perform well or badly; they are concerned with the performance of the index overall.

Passive investors don't engage the market with finely tuned attention to each company. They don't help allocate capital specifically to well-run companies with competitive advantages and long-term growth prospects. Nor do they invest in discovering price disconnects between securities, undervalued assets, or future innovators.

Rather than careful guides for growing companies, passive investors are largely free loaders. These firms merely ride share values that change based on capital-allocation decisions made by the active investors who are the actual stewards of capital. They should not get a vote on corporate governance as they don't do the work needed to develop wise judgments about how to vote.

Until recently, asset managers in the U.S. that lacked a well-informed view of the companies in which they invested often abstained from shareholder votes. That changed in the 1990s when the Securities and Exchange Commission began suggesting that routine abstention could be viewed as a failure to carry out one's fiduciary duty. Today nearly all asset managers vote, but passive investors dedicate no more effort to the process than is required to appease the SEC—or perhaps to satisfy their own conscience and the boost their firm's image. The SEC should acknowledge the diluting effect of these votes and reverse their guidance on abstentions.

Companies on the receiving end of investments are also harmed by the poor guidance of passive investors. But unlike the active money managers whose influence is being stifled, recipient companies possess actual tools to resist passive guidance. When necessary, companies should seek shareholder approval to amend their corporate bylaws to allow them to disregard or discount the votes of passive investors, or to permit investors to transfer their voting rights to active managers. If Mr. Fink—an extraordinary entrepreneur from whom all investors can undoubtedly learn—wants to exercise his fiduciary responsibility, let him do so with the assets BlackRock actively invests.

In the same letter in which he expresses his firm's commitment to voting, Mr. Fink argues that all companies must pay close attention to their "social purpose." He adds that a company should "show how it makes a positive contribution to society" if it hopes to prosper over time.

Active money managers help their clients achieve these long-term goals by committing the time, effort and money to analyze them properly. Passive investors provide no such guidance.

*Mr. Weil is a co-CEO of London-based Janus Henderson Investors.*

## Trade Agreements Are the Answer to Trade Deficits

By Frank Lavin  
And Fredrik Erixon

**T**he United States has an \$800 Billion Dollar Yearly Trade Deficit because of our "very stupid" trade deals and policies," President Trump tweeted the other day. He's mistaken. If the trade balance is your religion, free trade ought to be your church.

Free-trade agreements tend to improve the U.S. trade balance. Many factors determine the trade balance between two countries, and there are exceptions to the rule. But the lion's share of the U.S. global deficit comes from countries with no FTA. The FTA partners of the U.S. represent about 40% of U.S. merchandise trade but only about 10% of the U.S. trade deficit. The U.S. trade deficit in goods with FTA partners was just north of \$70 billion in 2016, while the deficit with non-FTA partners was more than \$660 billion.

Free-trade agreements help to rebalance U.S. trade. Before an FTA is in place, the U.S. is typically a more open market than its trading partners. The establishment of an FTA thus results in disproportionate structural and transparency benefits for American exporters.

It isn't just the improved market access that affects the trade balance. FTAs produce an important signal-to-market effect that encourages trade missions and investment. Companies with limited international capabilities can pursue business in an FTA country knowing that the challenges will be manageable. As corporations develop deeper relations with their trading partners, supply-chain performance improves. All parties have incentives to seek out efficiencies.

In short, don't look at an FTA as a one-off improvement. The long-term virtuous circle is that FTAs drive volume, volume drives familiarity and

management focus, focus drives additional improvements and second-order benefits, and all of this in turn drives more volume.

From 2000 to 2016, the U.S. merchandise trade deficit with all current FTA partners (including Canada and Mexico) fell by \$30 billion while the surplus in services continued to

**Before an FTA is in place, the U.S. is typically a more open market than its trading partners.**

grow. Compare that with the total U.S. trade deficit in merchandise, which went up with \$330 billion in the same period. Moreover, all but three of 20 FTA partners entered their FTA with the U.S. during this 16-year period, so even these favorable numbers probably do not capture all the long-term effects of the virtuous circle.

Mexico is the big outlier: Its trade

surplus with the U.S. has increased by about \$50 billion since the start of the North American Free Trade Agreement. But the example proves only one point: Reforms opening up the Mexican economy, with labor-cost advantages and proximity to a big market like the U.S., have driven inward investment and outsourcing, leading to growing exports to the U.S. and growing imports from other countries. Mexico's own trade deficit is at roughly the same level as when Nafta took effect. Its trade surplus with the U.S. would have grown rapidly even without Nafta.

If Mr. Trump pulls the U.S. out of Nafta, hiking protection up to the levels agreed to in the World Trade Organization, the deficit with Mexico is likely to rise further. Mexico's trade openness outside Nafta isn't on par with America's openness, so U.S. exporters would be more disadvantaged than U.S. importers. Mexico's tariffs for U.S. exports would average 4.5%, but U.S. average tariffs on Mexican exports would be 2.5%. For the administration's seemingly favorite industry, steel, the effect would be

starker. U.S. steel tariffs outside Nafta stand at 0.5%, while Mexico's steel tariffs would be 3.5%. If the U.S. raises tariffs, Mexico would likely respond in kind. With 40% of U.S. steel exports going to Mexico, leaving Nafta is a lousy gamble.

If the Trump administration is serious about reducing trade deficits, it needs to develop a strategy that enables U.S. companies to engage more with foreign markets. Tearing up trade agreements won't improve the U.S. trade balance; it will raise the trading costs of U.S. exporters.

Perhaps Mr. Trump is merely threatening withdrawal from Nafta and the Korea-U.S. Free Trade Agreement as a negotiation strategy to get a better deal. He gave a hint at Davos that this may be the case regarding the TPP. But if Mr. Trump kills FTAs, he is likely to not only slow U.S. economic growth but increase its trade deficit.

*Mr. Lavin was U.S. undersecretary of commerce for international trade, 2005-07. Mr. Erixon is director of ECPI, a Brussels-based think tank.*

## Good Grief—but Not Good Enough

By Pamela Jane Bell

**W**hen my husband began hospice care last spring, I decided to join a grief group. I thought it might be helpful to share stories and support with others who were facing the same heartbreak.

I googled "grief groups" and found one that met weekly at a local church. It looked as though I was just in time for the next session, so I called and spoke to the group leader.

"I'd like to join your grief group," I said.

"I'm so sorry for your loss," she responded sympathetically. "When did your loved one die?"

"Well, my husband hasn't exactly died yet. He has end-stage dementia," I explained.

**My husband wasn't yet late, so they said I was too early in the mourning.**

There was a pause on the other end of the line.

"I'm afraid you aren't eligible to join," she said. "Our group is only for people whose friends or family members have actually died."

I was so taken aback all I could manage was an inarticulate "Oh!" I hung up and sat there, stunned. I couldn't believe it. I had been rejected by a grief group. My grief wasn't good enough. It wasn't genuine, authentic grief; it was Grief Lite or I Can't Believe It's Not Grief.

It led me to reflect on our cultural imperatives about grief:

• **Grief must be fast.** After the grief-group rejection, I began visiting grief websites to read about other people's experiences. Before long I found myself spammed by grief gurus offering to accelerate my (as yet nonexistent) grief. The spammers offered courses for brighter or more ambitious grievers. Get through it in four weeks—a race to closure! There are books to help speed things up by defining the

stages of grief; it is important to stick to the regimen so you don't fall behind or flunk out.

• **Grief must be regulated.** The American Psychiatric Association has done this admirably through the Diagnostic and Statistical Manual, which lists medical codes for insurance reimbursement. But here I ran into another problem. Although bereavement is covered, I couldn't be classified as bereaved because my husband was still alive. To be reimbursed I needed a generic code, like 18 ICD-10-CM Z91.19, for "noncompliance of treatment"—that is if I could turn the diagnosis around and pin it on the government. After all, I was at least trying to comply.

A few months after I called the church, my husband died. Several weeks later I contacted the church grief leader.

"It's me again," I said (more or less). "My husband died last month."

"I'm so sorry for your loss, dear," she said.

"Can I join the grief group now?"

"Yes, of course! But you will need to bring a signed copy of your husband's death certificate."

This brings me to the last and gravest (no pun intended) grief guideline:

• **Genuine, accredited grief must be accompanied by a grief diploma.** Otherwise you're undocumented.

And that's illegal.

*Mrs. Bell writes children's books, memoirs and essays under the pen name Pamela Jane.*

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Rupert Murdoch

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Gerard Baker

Editor in Chief

Matthew J. Murray

Karen Miller Pensiero

Executive Editor

Managing Editor

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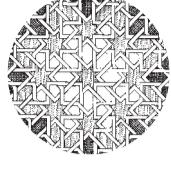
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## WORLD NEWS

# Turkey Flexes Muscles as Its Soft Power Melts Away

**MIDDLE EAST CROSSROADS**

By Yaroslav Trofimov

AMMAN, Jordan—There were two big events in the Turkish news in recent days. Turkey's army showed prowess in Syria, advancing on the Kurdish enclave of Afrin. And the Saudi-owned, pan-Arab broadcaster MBC took Turkish TV dramas, mas-

sively popular across the Arab world, off the air.

These developments—seemingly unrelated—highlight Turkey's transformation at a key moment in President Recep Tayyip Erdogan's 15-year rule.

Turkey, once admired across the Middle East and beyond for marrying Islam with democracy and prosperity, has squandered much of the "soft power" it used to enjoy. Instead, it is increasingly getting into armed conflict and acrimonious fights with its neighbors and allies.

Turkey's TV dramas, which brought the country's much freer lifestyle into Arab living rooms, were a key instrument of its influence, instilling admiration for Turkey the way Hollywood bolstered America's image around the world.

A popular Turkey also meant acceptance of Mr. Erdogan's oft-expressed nostal-

gia for the Ottoman imperial past. Now, Mr. Erdogan's musings on the Ottoman Empire, abolished in 1922, have gone from appreciations of common history and culture to thinly veiled territorial claims and complaints about the "disgrace" of losing lands.

**T**hat, naturally, elicits little sympathy among the Ottomans' historical foes, the ruling families of Saudi Arabia, Jordan and the United Arab Emirates. The Syrian regime—and the Kurds—have stoked similar resentment by describing Turkish troops in Afrin as "Ottoman invaders."

MBC's decision to cancel all Turkish TV series—the company didn't explain the move—came weeks after a spat between Mr. Erdogan and the U.A.E. about the behavior of an Ottoman commander in Medina (in current Saudi Arabia) during World War I.

Saudi Arabia's Crown Prince Mohammed bin Salman, on a visit to Cairo on Monday, accused Mr. Erdogan of trying to revive an "Ottoman Caliphate" and described Turkey as part of a "triangle of evil" alongside Iran and terrorist organizations, according to Egypt's state-run Al Ahram newspaper.

"Saber-rattling is not what builds soft power," said Saudi analyst Mohammed Alyahya, a senior fellow at the Gulf Research Center. "Turkey has a lot to offer, but Erdogan's politics have been overshadowing those things."

**E**ven more so, a crack-down on the press and political opposition in Turkey itself, particularly after the failed 2016 coup at-



President Erdogan meeting with children in parliament. The president vowed Turkey would press its military campaign in Syria.

tempt against Mr. Erdogan, has taken the luster off Turkey's image. A controversial referendum last year, marred by reports of fraud, was another blow: It gave the Turkish president near-absolute powers—and could allow Mr. Erdogan to rule for another decade.

"Before, people in the Arab world were coming to Turkey to see freedom, democracy, the rule of law. They were seeing Turkey as a model," said Turkish lawmaker Ozturk Yilmaz, vice chairman of the country's biggest opposition party, CHP. "Now, they see that Turkey is like any Arab country."

What is left is military force—something that Mr. Erdogan is increasingly willing to exercise in Syria.

The Turkish army, weakened by purges, struggled against Islamic State in the so-called Euphrates Shield operation in northern Syria in 2016. But it is showing more rapid progress in the operation launched this January to seize the Syrian mountainous enclave of Afrin from a U.S.-backed Kurdish militia.

The militia, the YPG, is affiliated with the PKK, or Kurdistan Workers' Party, a group that is considered terrorist by Ankara and Washington. It is unclear whether

Turkish advances will continue as rapidly now that the YPG has pulled fighters from battling the remnants of Islamic State and sent them to the front lines of Afrin.

**M**r. Erdogan, in a speech Monday, indicated that Afrin is just the beginning, and that he is heading next for the much larger—and U.S.-protected—Kurdish-controlled areas of eastern Syria, starting with the town of Manbij, which hosts American troops.

"Today we are in Afrin, tomorrow we will be in Manbij, the day after we will be east of the Euphrates to clean up

all the terrorists all the way to the border of Iraq," he said.

Turkey isn't just flexing its muscles in Syria. In recent days, Ankara detained Greek border guards who strayed across the frontier, sent its navy to harass an Italian gas-exploration ship in Cypriot waters, and threatened the Czech Republic for failing to extradite a YPG leader.

"This is the way the new Turkey acts: very transactional and very belligerent," said Aaron Stein, a Turkey expert at the Atlantic Council think tank. "It's using all its tools and a 'crazy man' approach to get more concessions from its ostensible allies."

**WORLD WATCH****EGYPT****Forces Isolate Sinai City in ISIS Operation**

As Egyptian security forces intensify their campaign against Islamic State in the north Sinai region, authorities have isolated the area's largest city, in a sign of how the insurgency has shifted from the region's desert expanses to the city streets.

In recent weeks, the state has banned residents from leaving or entering without special permission the regional capital of El Arish, a city of more than 100,000 people, according to a statement from the regional government. The closure has resulted in shortages of food and fuel that civilians in the city are describing as a "siege."

The restrictions reveal how Egyptian forces are trying to oust Islamist fighters hiding in urban areas, complicating the Egyptian state's battle with militants in north Sinai. Weeks before a presidential election, Mr. Sisi and his military leaders are struggling to stamp out a group that has killed hundreds and created a sense of unease about security.

"This is one of the evolutions of the conflict, the switch by the terrorists or ISIS to urban things—hiding in plain sight among the people in El Arish," said a senior Western official in the region.

—Jared Malsin  
and Amira El Fekki

**IRELAND****Dublin Takes Step To Legalize Abortion**

Ireland's government agreed on Thursday to hold a referendum on whether to overturn a constitutional abortion ban, setting a course for a likely May vote that could shift the country further away from the influence of the Catholic Church.

The legislation, likely to be backed by a majority of lawmakers, will be presented to Parliament for debate on Friday, marking the latest and most decisive step in a long debate over abortion. Ireland has moved away from the conservatism of a church tarnished by a sex-abuse scandal and other controversies.

Ireland has steadily changed laws rooted in Catholic doctrine, including in a recent referendum in which voters chose to legalize same-sex marriage. Opinion polls have pointed to a majority in favor of removing the ban.

Abortion wasn't available in Ireland even before the ban was added through the eighth amendment to the constitution in 1983.

—Paul Hannon

## Iran's Top Leader Urges Women to Wear Head Scarves to Avoid 'Deviant Lifestyle'



IRANIAN OFFICE OF THE SUPREME LEADER/REUTERS

# In Greece, Buried Ruins Lead to Sunken Costs

BY NEKTARIA STAMOULI

ATHENS—In Greece, the buck stops with archaeologists.

Mike Angelides, a Greek-American property developer, discovered that after he won a state tender in 2014 for a €400 million (\$495 million) plan to develop a beachside golf resort on the island of Rhodes.

Two years later, after he had

spent around €1.5 million, Greece's state archaeological authority froze the project. His proposed site was near the ruins of a fortress dating back more than three millennia, and the authority worried other vulnerable relics may lie in the area.

Sympathetic to the investor's plight, the state privatization fund promised last year to

hire outside archaeologists to survey the area so the project could get back on track. But nothing has yet been done.

"Everyone warned me that your hair turns gray before you manage to build anything in Greece," Mr. Angelides said. "This is a project I've put my life and soul into."

Greece's archaeology authority is among the most feared

bureaucracies in a country notorious for red tape, capable of tying up investment plans for years on the mere suspicion that antiquities might lie beneath a proposed development.

As Greece seeks to emerge from years of depression, the need to protect the country's priceless antique heritage is colliding with its desperate need for investment. Compounding the problem, the archaeology authority is trying to pursue its mission with a budget and staff sharply reduced under austerity, leading to long delays.

Greece, highways, sewers and other public projects are frequently postponed, redesigned or pushed way over budget by the cost of dealing with buried artifacts. New residential buildings often lack underground garages because developers fear uncovering ancient ruins that can halt the project for years.

The subway in Thessaloniki, Greece's second-largest city, still isn't finished after three decades of work, in part because of the discovery of an ancient town some archaeologists compare to Pompeii in Italy.

The problem such delays

bring with them has become more urgent as Greece seeks foreign investment to restart its economy and take advantage of the expected lifting of European Union strictures on state spending and borrowing in August.

In the fall, the archaeological authority was at the center of a bitter battle over an €8 billion investment in Hellinikon, the former site of Athens's airport.

Hellinikon represents a large piece of a multibillion-euro privatization program Athens has promised its creditors it will complete. The plans call for hotels, museums, theme parks and research facilities.

Aristotelis Panteliadis is managing director of a supermarket chain that underwent five years of archaeological reviews over its request to expand a single store in the Peloponnese.

"Keeping every ancient object in the spot it was found, even if it's a small pile of stones from 500 years ago, and blocking investment because of lack of funding for excavations shows an authority with the sole purpose of saying 'Do not touch anything,'"

—Francis X. Rocca

contributed to this article.



Construction workers in Thessaloniki, Greece's second-largest city, work among ancient ruins.

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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## Cigna Deal Intensifies Health Shift

\$54 billion acquisition of Express Scripts shows how even big players need partners

By ANNA WILDE MATHEWS  
AND JOSEPH WALKER

Cigna Corp.'s \$54 billion deal for **Express Scripts Holding** Co. is the latest sign that health care's biggest players believe they can no longer go it alone, and they must branch into other businesses to forge integrated products aimed at curbing costs.

The acquisition sets up the combined company—which would bring together Cigna's insurance assets with Express Scripts' pharmacy-benefit management—to better compete with peers such as **UnitedHealth Group** Inc. and **CVS Health** Corp. that already moved toward vertical combinations, analysts said.

Cigna and Express Scripts, which together had revenue of about \$142 billion last year, could achieve greater scale and a deeper role in managing drug spending, which is seen as increasingly central to the work of managed-care companies.

But the combination also faces significant risks, including potential customer losses in Express Scripts' business. Rising drug costs have also created business and political pressure on insurers and pharmacy-benefit managers, which help select which drugs are

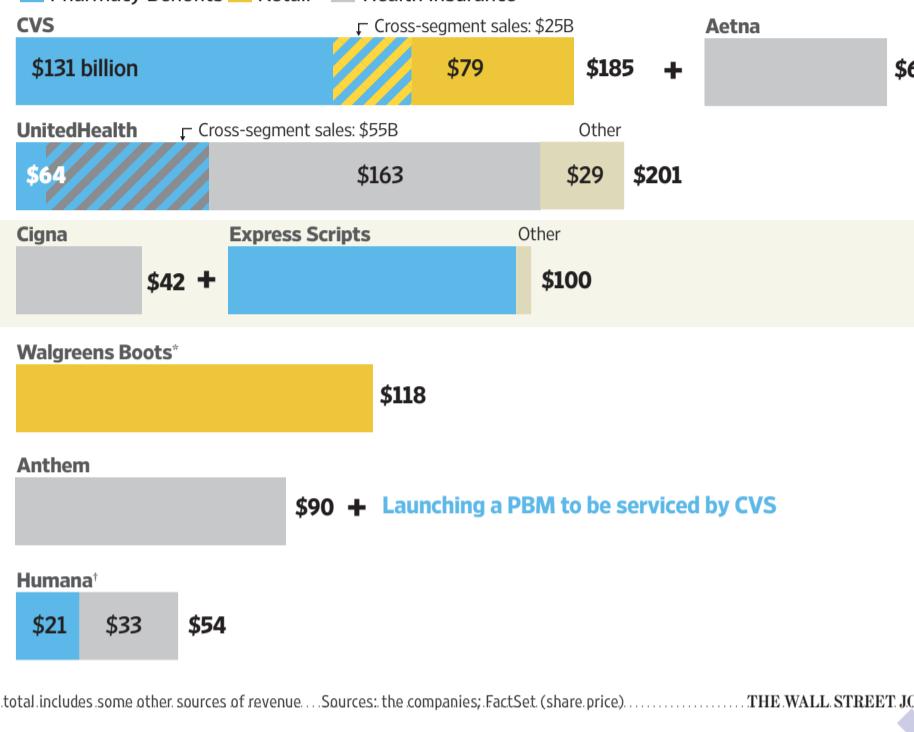
### Come Together

Cigna is the latest insurer seeking to unite with a pharmacy benefit manager in hopes of bringing down costs, as big health-care companies increasingly seek to bring together various lines of business under one roof.

#### Share performance this year



#### Revenue, in billions



## Disney Rebuffed Over Pay For CEO

By BEN FRITZ  
AND JOANN S. LUBLIN

In a rare rebuke of **Walt Disney** Co. leadership, shareholders on Thursday voted down a nonbinding endorsement of the compensation given to Chairman and Chief Executive Robert Iger following an increase in December.

About 52% of votes cast at the company's annual meeting expressed displeasure with Mr. Iger's new pay package. It was the first time a majority of votes were cast against such a proposal at Disney.

Only 1.2% of S&P 500 companies saw less than majority support for their "say on pay" resolutions last year, according to ISS Analytics, the data arm of **Institutional Shareholder Services**, the biggest proxy advisory firm. Disney is the first S&P 500 company in 2018 to lose such a vote, the firm said.

The media giant's share-

holders went along with the board's recommendations on all other matters, including electing the 10 members of its board and voting down two shareholder proposals.

Under a contract extension signed as part of Disney's December agreement to buy most of the assets of **21st Century Fox** Inc., Mr. Iger is eligible to receive stock worth up to \$142 million at the then-current share price. He also got an immediate bump in his base salary to \$3 million from \$2.5 million, with another \$500,000 raise to come if the purchase is completed. In addition, Mr. Iger's annual target bonus would increase to \$20 million from \$12 million once Fox's film and television studio, cable networks and other assets become part of Disney.

Shares of Kroger sank \$3.25 to \$22.98 on the New York Stock Exchange. The drop was the stock's largest since June, when the company reported weak sales early last year.

Kroger shares fell further that month when Amazon said the next day that it was buying Whole Foods Market.

Like many retailers, Kroger has seen commodity prices, freight costs and wages cut into its bottom line recently.

—Imani Moise contributed to this article.

Please see **DISNEY** page B2

## Kroger Stock Is Crunched in Online Battle

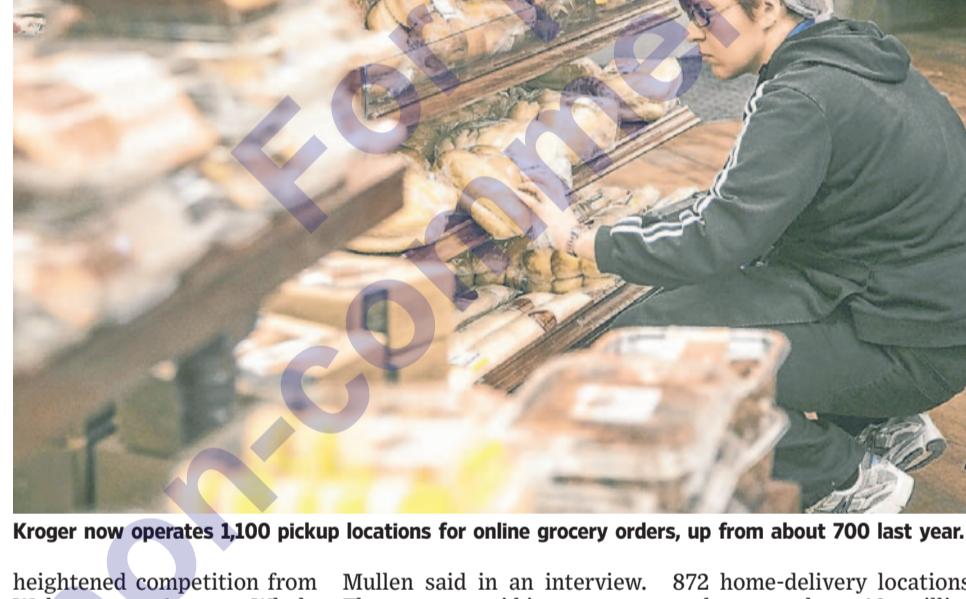
By HEATHER HADDON

**Kroger** Co.'s shares fell 12% on Thursday as the grocer's investment in online operations to compete with **Walmart** Inc., **Amazon.com** Inc. and other retailers cut into profit and disappointed investors looking for higher share buybacks and dividends.

The largest U.S. supermarket chain is struggling to invest in online operations and introduce new products at its 2,800 stores while also generating enough profit to keep investors happy.

Kroger reported a fourth-quarter profit of \$854 million, up 69% from \$506 million a year earlier. But gross margins declined in the quarter from a year earlier, a disappointment after rising in the preceding three-month period as the Cincinnati-based grocer cracked down on costs.

Telsey Advisory Group said tougher competition from big retailers and discounters was hurting Kroger. "External pressures continue to weigh on the fundamentals," Telsey wrote to investors, "particularly the



Kroger now operates 1,100 pickup locations for online grocery orders, up from about 700 last year.

heightened competition from Walmart, Amazon-Whole Foods, Aldi, Lidl, and others."

Chief Executive Rodney McMullen said investments in online ordering were critical to Kroger's future. "We are incredibly focused on the customer of the future," Mr. Mc-

Mullen said in an interview. The company said it expects to be more profitable in its 2019 or 2020 fiscal years.

Kroger now has 1,100 pickup locations for online grocery orders, up from about 700 last year.

The chain also now offers

872 home-delivery locations, and more than 40 million households now have access to online groceries from Kroger, a spokeswoman said.

Mr. McMullen said Kroger's shares were hurt Thursday by unfounded analyst expectations that the company would

spend the windfall from federal tax changes on improving profitability. Instead, he said, Kroger will devote \$400 million in savings under the new law to the bottom line in terms of net earnings for shareholders, along with store investments and better wages and benefits for workers.

Rupesh Parikh, an analyst at Oppenheimer, said that was indeed a surprise to many shareholders looking for Kroger to buy back shares or pay dividends to shareholders.

"We believe some in the market assumed minimal reinvestment," he said.

Shares of Kroger sank \$3.25 to \$22.98 on the New York Stock Exchange. The drop was the stock's largest since June, when the company reported weak sales early last year.

Kroger shares fell further that month when Amazon said the next day that it was buying Whole Foods Market.

Like many retailers, Kroger has seen commodity prices, freight costs and wages cut into its bottom line recently.

—Imani Moise contributed to this article.

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## China Tightens IPOs, Leaving Firms in Lurch

By CHAO DENG  
AND LINGLING WEI

**BEIJING**—Chinese companies trying to list shares on China's stock exchanges are facing stricter rules, and applications are being rejected in droves.

The nation's securities regulator tightened standards on initial public offerings in recent months, increasing the scrutiny of candidates' reported profits and disclosures, according to investment bankers and analysts. The regulator's powerful vetting committee is on notice that its members will be held responsible if companies approved for listings turn out to be duds.

Beijing is trying to tamp down on financial risks across the board, including seizing a large private insurer last month. The tougher approach for public offerings is meant to ensure only top-quality firms list, thereby over time improving the stability and quality of stock markets, say these people.

Commission members have no regrets rejecting firms, viewing them "like locusts that must be killed," said a lawyer who advises the commission. He said no official wants to be blamed for a faulty listing.

Since the committee changed members in mid-October, it has rejected 42% of applications as of Wednesday, compared with 13% for the first nine months of 2017 and 7% in 2016.

The clampdown is depriving promising businesses of a potentially rich funding channel and, investors say, shows a lingering distrust of markets following a 2015 meltdown.

It is also pitching deeper into limbo a slew of Chinese companies that exited U.S. and European exchanges to seek higher valuations by relisting in China.

Ye Huodong took his company off the London Stock Exchange in 2010 to relist on the

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### STREETWISE | By James Mackintosh

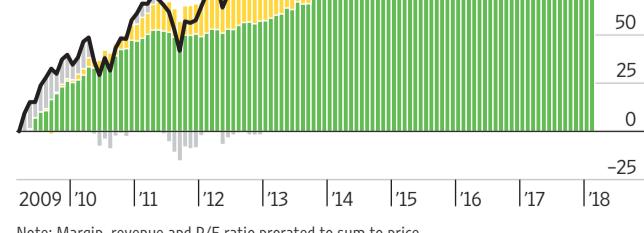
## Old Views Under New Threat

#### Recalibration

Since the crisis most of the S&P 500's gains are due to fatter profit margins and a higher valuation, while sales have risen more slowly than usual.

#### Breakdown of the cumulative price change since March 2009, by contributor

- Price
- Forward P/E ratio
- Revenue
- Margin



Note: Margin, revenue and P/E ratio prorated to sum to price.  
Source: Columbia Threadneedle

higher profit margins and, mostly, rising valuations, even as the economy had its slowest recovery since World War II. Wall Street won, while Main Street suffered.

Now, Main Street is finally

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F - G	
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A	
Go-Jek Indonesia	B4
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N	
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## BUSINESS NEWS

## Tellurian In Talks for Fields in Louisiana

BY CHRISTOPHER M. MATTHEWS AND STEPHANIE YANG

**Tellurian Inc.** is in talks to buy **Chesapeake Energy Corp.**'s Louisiana drilling fields as it seeks to become a producer as well as exporter of natural gas, according to people familiar with the matter.

**Chesapeake**, a pioneer of the shale boom, has been selling off some of the vast holdings assembled by its late co-founder Aubrey McClendon as it struggles with low energy prices and a mountain of debt it took on to lock up drilling rights for swaths of land.

**Tellurian** is the latest venture by Charif Souki, who developed the first terminals to liquefy natural gas and export it from the U.S. Gulf Coast as founder of Cheniere Energy Inc. The company, which has few assets, has said it is looking to acquire drilling fields near a coastal site where it plans to build an export facility to sell fuel overseas.

**Chesapeake's** Louisiana fields, located in the Haynesville shale formation, are valued at about \$2 billion, according to Jefferies analysts.

The talks to purchase **Chesapeake's** fields could fall apart and there is no guarantee of an agreement. **Tellurian** has offered to **Chesapeake** to take equity as a part of the asset sale, something **Chesapeake** isn't interested in doing, people familiar with the talks said.

**Tellurian** has also held talks with other producers with Haynesville assets to acquire more acreage, people familiar with the matter say. **Tellurian's** stock closed up 1.5% at \$8.55 per share Thursday and is down about 25% over the past year.

## Lockheed Pursues Longer Jet Pact

F-35 maker says single, multiyear contract would help it drive down the bill

BY DOUG CAMERON

**Lockheed Martin Corp.** has a plan to cut the daunting cost of its F-35 combat jet.

But for that to happen, U.S. taxpayers would first have to pay more upfront to trim the price tag of the world's most expensive military program.

The Bethesda, Md.-based company wants to persuade lawmakers and the Pentagon to buy hundreds of the jets in a single, multiyear contract in the early 2020s to harvest economies of scale from increased production, Jeff Babione, the Lockheed executive in charge of the F-35 program, said in an interview.

The plan, due to be unveiled later this month, comes as senior Pentagon officials grow frustrated with efforts over the past three years to cut the cost of buying and flying as many as 2,400 of the radar-evading jets.

The F-35 fleet would replace most U.S. jet fighters over the next 30 years at a cost of more than \$400 billion. U.S. allies plan to buy up to 500 more.

More than 200 of the jets have been delivered and are in service with the U.S. Air Force and Marine Corps. A number of international buyers, including the U.K., Norway and Japan, have also received their first planes.

The Pentagon had hoped to conclude talks on buying the next 130 jets—including some earmarked for overseas allies—by the end of last year. However, discussions continue over the sale price and other terms.

**Lockheed** and its partners have already cut the average price of the F-35A model used by the U.S. Air Force to around \$95 million, from \$122 million five years ago. They aim to reduce the price to roughly \$80 million by the end of the decade. But Pentagon leaders



Pentagon officials are frustrated with efforts to cut the price of buying and flying as many as 2,400 of the radar-evading jets

want bigger cuts as annual production climbs toward 150 jets in the early 2020s, from 66 last year.

The F-35 is Lockheed's biggest franchise, already accounting for a quarter of sales, and the company has pledged to keep driving down costs.

"Ultimately we all share the same enemy: cost," Mr. Babione said. The company oversees the F-35 production at a mile-long factory near Fort Worth, Texas.

"Our focus remains on achieving an \$80 million airplane by 2020 and believe the biggest levers to reduce cost beyond that are the use of economic order quantities, cost-reduction initiatives and a multiyear contract."

Mr. Babione, who later this month will take over Lockheed's secretive Skunk Works development arm, said reducing the price would require more than the \$230 million the Pentagon has already paid for

work to reduce the plane's costs. The existing efforts have generated \$4 billion in lifetime savings from the program.

Pentagon officials say they worry the F-35's high costs will force the Defense Department to cut the number of planes ordered so that it can continue to fund other projects such as new ballistic-missile submarines.

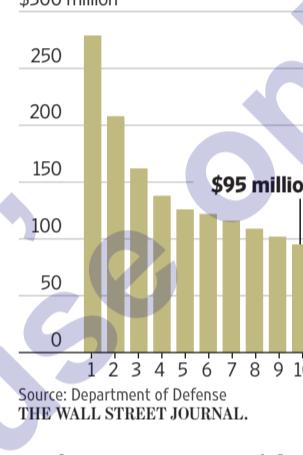
"We can't afford the sustainment costs we have on the F-35," Ellen Lord, the Pentagon's chief weapons buyer, told reporters in January. "And we're committed to changing that."

Navy Vice Adm. Mat Winter, the military head of the F-35 program, last week criticized Lockheed's tactics in negotiating the sale of the next batch of 130 planes. He said the government would take over some repair work so contractors could focus on producing more spares parts to tackle reliability problems.

### The War on Cost

The price of the main version of the F-35 jet first delivered in 2011 has come down with each production lot.

#### F-35A price by production lot



Source: Department of Defense

F-35 program say it is too early to consider big deals, as problems have been discovered during yet-to-be-completed development and testing, requiring fixes to already delivered jets.

"If the Pentagon is really serious about making the F-35 affordable, they will stop buying them until the design has been completed and verified effective," said Dan Grazier at the Project On Government Oversight, a Washington, D.C.-based watchdog.

The Pentagon could also choose to share widely the flight data that determines maintenance needs to spur competition beyond the project's main partners: **Lockheed**, **Northrop Grumman Corp.**, **BAE Systems PLC** and the Pratt & Whitney unit of **United Technologies Corp.** That could lead to a role for **Boeing Co.**, which lost out to **Lockheed** in 2001 for the main F-35 contract.



Tug boats guided a Hess oil platform in Texas last year. Elliott Management was pressuring the company.

## Hess Dodges Proxy Battle

BY BRADLEY OLSON AND DAVID BENOIT

**Hess Corp.** headed off a potential proxy fight with activist hedge fund **Elliott Management Corp.** with a plan to buy back an additional \$1 billion in shares.

The share-purchase announcement on Thursday came one day before the oil-and-gas company's deadline for nominating new directors. Elliott, which was considering whether to seek the ouster of John Hess, the company's chief executive, is no longer expected to do so, people familiar with the matter said.

The hedge fund said it was supportive of the changes at **Hess**, adding that it also supported a plan by the company to review its operations in North Dakota's Bakken Shale formation.

"We are encouraged that the company has indicated that they are committed to closing the value gap and will be dynamic in exploring further steps to do so," Elliott said.

Elliott, which owns more than 6% of **Hess** shares, had been seeking greater shareholder returns as the company's performance lagged be-

hind during the past year, The Wall Street Journal reported in December.

The buyback is in addition to \$500 million the company had already earmarked, bringing the total to \$1.5 billion.

The recent skirmish was the second between **Hess** and Elliott in recent years. The two fought a bitter battle in 2013 that led to Mr. Hess giving up his role as chairman and adding Elliott nominees to the board. That fight, which settled on the eve of the vote, also helped spur the sale of some **Hess** assets, including its brand-name gasoline stations.

For now, the company appears to have won another peace.

Many U.S. oil companies are facing investor unrest as shareholders push for more consistent returns after years of lackluster results.

Even investors that have traditionally steered away from activism have taken their cases directly to directors and management teams, demanding more focus on profit than on production growth.

Companies that have failed to fall in line—restricting their spending, buying back shares or taking steps to change executive compensation—have been

punished in the market.

Mr. Hess has spent the past six months meeting with shareholders in an effort to rally support behind a strategy for improving the company's performance that is largely centered on a looming payoff from an oil discovery in South America.

The field off the coast of Guyana might be capable of producing as much as 700,000 barrels a day in the next decade, according to Exxon, with whom **Hess** has joined in the venture.

Many investors and market analysts are enamored with the discovery and its potential, but the prospect isn't expected to begin producing until 2020, leaving some shareholders such as Elliott frustrated in the short term.

The hedge fund had sought to push more significant asset sales and a more extensive buyback plan, according to people familiar with the matter.

**Hess** had previously said its capital plans were tailored to ensure it had the financial wherewithal to fund its portion of the Guyana project.

An additional buyback became possible given higher oil prices and increasing clarity regarding spending plans for the venture.



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## TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By David Pierce

# Samsung's Galaxy S9 Lacks Inner Beauty



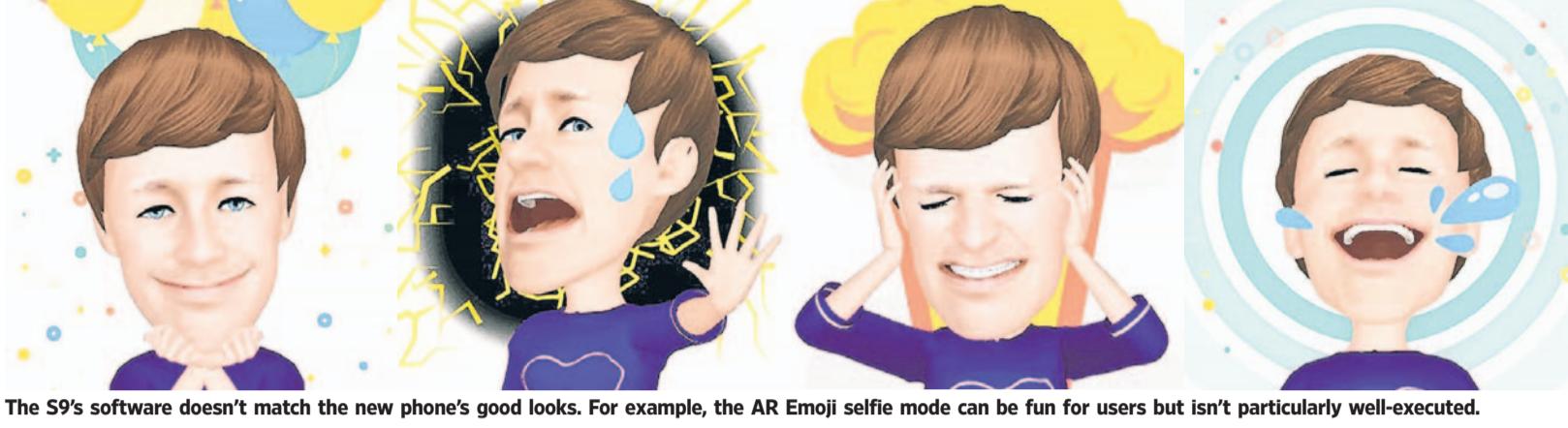
Nobody makes better-looking phones than Samsung Electronics.

Last year's Galaxy S8 was a particular gem of a device, glassy and stark with that "infinity display" stretching almost entirely across the front. It was thoughtfully designed on a level only Apple used to be able to achieve. As a result, it flew off shelves.

So why change anything? Nine versions in, Samsung feels it has landed on the right design for its Galaxy S phones. A company spokeswoman compared Samsung's approach to the way a luxury-car maker might build new models: Nip and tuck, but don't change what people already love. The S9's updates include a smaller bezel, brighter screen, faster processor and relocated finger-print reader.

If you already have an S8, you aren't missing much and don't need to spend roughly \$800 for the S9 or upward of \$900 for the S9+ when they hit stores this month. Almost anyone else will welcome the upgrade.

Yet I still find myself frustrated by this phone. Samsung paired this lovely hardware with half-baked software. I love Android and use it every day, but I don't like any of what Samsung does to it. If Samsung would just get out of its own way, build hardware and let Google handle the software, the S9 might be the best phone on the market. Instead, I found myself longing for simpler, smoother features to better suit this good-



The S9's software doesn't match the new phone's good looks. For example, the AR Emoji selfie mode can be fun for users but isn't particularly well-executed.

looking phone.

Most of Samsung's engineering this time around went into the camera. The S9 and S9+ both have 12-megapixel cameras on the back, and the S9+ adds a second camera for taking photos with more zoom. I can't say these phones always take better pictures than Google's Pixel 2 or Apple's iPhone X, but overall they're just as good.

**W**here the S9 camera stands out most is in bad lighting, like at a concert or in a dimly lit aquarium. That's because it has an actual mechanical aperture. An aperture controls the amount of light allowed into the camera lens, which in turn controls how bright your photo can be and how much of that creamy-background bokeh effect you can achieve. Shooting at a super-bright f/1.5, as the S9 does by default in low light, I got half-decent photos. On other phones, they'd have just come out black.

That's hardware improve-

ment. Samsung's track record for software changes is a lot rockier. For example: You can use the S9's selfie camera to create an emoji in your likeness, or goof around with lenses that add an augmented-reality hat or mask to your face. But the features don't work as well as similar ones on an iPhone or in Snapchat. Everyone's emoji with the S9 kind of looks the same, and the faces move like badly dubbed cartoons.

The new phones can capture video in the slowest motion you've ever seen on a smartphone: 960 frames per second, four times the iPhone's slow-motion rate. But it feels like the feature was added by the marketing department, not the phone designers. It's really hard to capture exactly the right moment at that speed, and you can't change what you've captured after the fact. And if you're in anything but perfect lighting, all you'll be shooting is darkness. I much prefer Samsung's old, 240-frame-per-second way of doing slow-mo, which remains in the

settings menu.

Good luck finding it, though. (Okay, I'll help: Go to Camera > Settings > Edit Camera Modes > Rear Camera.) Samsung crammed too many options and modes into the S9's camera. It takes at least a half-dozen swipes to get through all the capture modes, and finding the right sticker or ISO setting takes forever. Samsung should do less, do it better and make it all easier to figure out.

**S**amsung's approach has always been to say yes to every nascent tech and user desire. ("You want 45 different ways to unlock your phone, and a screen bright enough to burn your eyes out? Sure!")

The S9 isn't missing anything—it even still has a headphone jack. And a slot for additional MicroSD storage. It charges via USB-C or a wireless pad. You can unlock it with your face, your irises or your fingerprint. (I love having all three options.) It has a fast processor and lots of memory. It's waterproof

but still beautiful, thin but still lasts all day. There's no obvious deal breaker here anywhere.

But then... I use the phone. And I start to go slightly nuts.

The first time I used Google Assistant to set an alarm, the S9 asked me which app I'd like to use. Wait, what? Turns out there are two, both named Clock, both willing and able to serve you. (Samsung doesn't pre-install Android's Clock, but it might download during setup if you previously owned an Android phone.) You'll have to make a similar decision about whether to use Calculator or Calculator; Chrome or Internet; Email or Gmail. Do you want Google's Play Store, or Samsung's Galaxy Apps?

What about Photos or Gallery? I could keep going. Instead it cooked up a whole new round of not-quite-finished features, and tossed them onto the already toppling heap. As it turned out, I like holding the S9, and I like looking at it. I really like all the Instagram likes I get from pictures I take with it. I just don't like using it very much.

of its design or battery life, but because it's the purest expression of what Android can be. The S9 bests the Pixel's hardware in almost every way but collapses under the weight of Samsung's duplicate apps and bizarre interface overhaul.

**A**s far as I can tell, Samsung could have done two things to really improve upon the S8. It could have dreamed up some wild new idea about smartphone hardware—maybe a flexible screen?—that moved everything forward again. Or it could have spent the year refining and simplifying its software, to make the phone simpler and more fun to use.

Instead it cooked up a whole new round of not-quite-finished features, and tossed them onto the already toppling heap. As it turned out, I like holding the S9, and I like looking at it. I really like all the Instagram likes I get from pictures I take with it. I just don't like using it very much.



Grab, which has struck a deal for Uber's regional operations, also runs a motorcycle taxi service with green-shirted drivers.

## Uber Retreats in Southeast Asia

**U**ber Technologies Inc. has reached an agreement in principle to sell most of its Southeast Asia operations to local rival Grab Inc., ending a costly fight for market share in the fast-growing region, according to people familiar with the matter.

By Greg Bensinger, Newley Purnell and Julie Steinberg

In exchange for its operations in Southeast Asia, Uber would gain a roughly 30% stake in Grab, these people said. The two companies are still hashing out the final terms of the pact, the people said, cautioning any deal would be subject to regulatory scrutiny. One of the people said Uber's stake in Grab could wind up being smaller.

Uber was spending some \$200 million annually to take on Grab and another upstart in the region, PT Go-Jek Indonesia, two of the people said. Go-Jek, a motorcycle-taxi service based in Indonesia, recently raised more than \$1 billion in funding from KKR & Co. and Tencent Holdings Ltd., among others.

Uber and Grab spokesmen declined to comment.

Bloomberg News earlier reported a deal was near.

A deal could relieve pressure on Uber's new chief executive, Dara Khosrowshahi, who is trying to shore up the company's finances ahead of an expected 2019 initial public offering. Uber posted a net loss of \$4.46 billion in 2017 on sales of \$7.36 billion.

Since taking the helm in September, Mr. Khosrowshahi has reached an agreement to sell the company's car-leasing business in the U.S. and settled a distracting lawsuit from Alphabet Inc. over trade secrets.

In recent weeks, Mr. Khosrowshahi vowed to keep fighting for market share in Southeast Asia, even in the face of hefty losses.

"We expect to lose money in Southeast Asia and expect to invest aggressively in terms of marketing, subsidies," he told reporters during a visit to New Delhi last month. Earlier in the month he said Uber was investing hundreds of millions of dollars in the region but that it is difficult to compete against locals.

"The economics of that market are not what we want them to be," said Mr. Khosrowshahi.

Uber has shown a willingness to cut its losses in markets where it is struggling to maintain market share. Last

year it reached a deal to merge its Russian operations with Yandex.Taxi, forming a joint venture with parent company Yandex NV in exchange for a nearly 37% stake. And in 2016 it sold its Chinese business to Didi Chuxing Technology Co., amassing a 20% stake in Didi in the deal.

The talks with Grab involve all of Uber's major assets in the region, but a final deal could exclude small pieces of the Southeast Asian operations, people familiar with the discussions said.

A deal would speak to the investment strategy of SoftBank Group Corp., which took a 15% stake in Uber in January for \$7.7 billion. The Japanese firm is also a major shareholder in Grab, Didi and ANI Technologies Inc.'s Ola, whose home market is India.

Beijing-based Didi is expanding to Japan in competition with Uber and recently bought out Brazil's 99Taxis, a popular taxicab app. Meanwhile, Ola and Uber are duking it out in Australia.

Uber, which is based in San Francisco, expects to seat Sprint Corp. chief Marcelo Claure and SoftBank partner Rajeev Misra on its board after a review of the SoftBank deal is completed by the Committee on Foreign Investment

in the U.S.

Uber and Grab have been racing to dominate the roads of Southeast Asia, home to 600 million people. The region's ride-hailing market is forecast to grow more than five times to \$13.1 billion by 2025 from \$2.5 billion in 2015, according to a report from Alphabet's Google and Singapore state-investment firm Temasek Holdings.

While Uber has tangled with regulators around the globe, Grab says it works closely with government authorities and better understands local habits. In the Philippines, for example, it offers rides on widely popular motorcycles with covered sidecars.

Grab has more monthly active users across much of the region than Uber, according to app analytics firm App Annie. A report in May of last year from consultancy Bain found users across Southeast Asia prefer Grab to Uber.

In Indonesia, the region's biggest country by population, both Uber and Grab are also grappling with GoJek. The startup has rapidly expanded from offering transportation to services such as package and food deliveries.

—P.R. Venkatesh contributed to this article.

## Software Maker SAP Finds Ties to Scandal

By GABRIELE STEINHAUSER

**J**OHANNESBURG—German software maker SAP SE said that an internal probe of its South African unit found "indications of misconduct" as well as more payments to companies tied to a family at the center of a political corruption scandal here.

SAP said in October it had reported itself to the U.S. Department of Justice and the Securities and Exchange Commission over payments made to entities related to the Gupta family, close friends of former President Jacob Zuma who are being investigated by South African authorities for alleged corruption.

The Guptas have been accused by government officials and civil-society groups of using their friendship with Mr. Zuma to gain lucrative state contracts and influencing government business. In recent weeks, South African police have raided properties owned by the Guptas and frozen some of their assets as part of an expanding investigation into what officials have called their "capture" of the South African state.

Mr. Zuma, who stepped down as president last month, and the Guptas, who once controlled a corporate empire stretching from media to mining, have denied wrongdoing.

The multipronged scandal has dragged in several multinational companies, including accounting firm KPMG and consultancy McKinsey & Co. While KPMG and McKinsey have said they regret doing business with the Guptas or companies associated with the family, SAP was the first international corpora-

tion to say its actions may have broken U.S. antitrust laws.

SAP said that between December 2014 and June 2017 it paid a total of 112.7 million rand (\$9.5 million) to three companies tied to the Guptas as "commission" for contracts with South Africa's state-owned rail and port operator, Transnet, and state power company, Eskom. In October, SAP, which is listed in the U.S. and Germany, said it discovered 94 million rand in payments made between December 2015 and November 2016.

Philipp Klarmann, head of investigations and antitrust at SAP, said the company was in contact with U.S. authorities, which have asked for documents and indicated that they want to question individuals tied to the South Africa payments. But he said that it was too early to say whether SAP could face fines or other sanctions over its behavior in South Africa. "We have decided not to account for these matters at this point," Mr. Klarmann said.

Eskom, which installed a new board and management in January, said it was also investigating the payments made by SAP to the Gupta companies.

Pressure on the Guptas and their suspected collaborators has escalated since Cyril Ramaphosa took over as president from Mr. Zuma last month. South African police have declared Ajay Gupta, one of the three brothers at the center of the family business, a fugitive after he failed to go to the police, and arrested eight alleged business partners. Mr. Gupta's lawyer has denied that his client was evading the law.



The German software company said an internal investigation of its South African unit revealed 'indications of misconduct.'

## BUSINESS NEWS

# Pact to Ease Steve Wynn's Sale of Stake

**Wynn Resorts** Ltd. Thursday took a step that could eventually allow its ousted founder, Steve Wynn, to end

By Kate O'Keefe,  
Alexandra Berzon  
and Chris Kirkham

his status as the company's largest shareholder.

His 12% stake has left him and the company subject to ad-

ditional scrutiny by regulators in Nevada and Massachusetts, who are investigating allegations that he engaged in sexual misconduct against employees.

He has been prevented from selling his Wynn Resorts stock by a complex shareholder agreement among him, his ex-wife and a former business partner that dates to 2010.

On Thursday, Wynn Resorts moved to resolve the standoff

by agreeing to pay \$2.6 billion to settle litigation with **Universal Entertainment** Corp., a Japanese company that was forced by Wynn in 2012 to give up its 20% stake in the casino giant, according to a statement from Universal's lawyers, Buckley Sandler LLP.

Wynn Resorts has been under increased pressure to resolve the Nevada legal dispute after a Wall Street Journal in-

vestigation published in January detailed allegations that Mr. Wynn sexually harassed and assaulted employees.

They included an allegation that Mr. Wynn in 2005 paid a \$7.5 million settlement to a manicurist who told people at the time that Mr. Wynn forced her to have sex with him. Mr. Wynn at the time said it was "preposterous" that he would assault a woman; he hasn't re-

sponded to other allegations.

The stockholder agreement recently preventing Mr. Wynn from selling shares was originally designed to help him maintain control of the company.

Wynn Resorts in 2012 forcibly redeemed shares owned by Universal, then valued at \$2.77 billion, at a 30% discount, and the board voted to remove Universal's founder and then

chairman, Kazuo Okada, as a nonexecutive director. The move came amid a deteriorating relationship between Mr. Wynn and Mr. Okada, then Wynn's largest shareholder. Mr. Okada, one of Japan's biggest makers of pachinko and slot machines, was instrumental in creating Wynn Resorts, initially investing \$260 million for a 50% stake in the company.

## BUSINESS WATCH

## UNITED NATURAL FOODS

### Whole Foods Helps Spur Sales Increase

**United Natural Foods** Inc. was up 9% after-market after the distributor reported a jump in sales driven by demand from Whole Foods Market after **Amazon.com** Inc. purchased the chain.

United Natural logged a \$150 million increase in sales, or a 19% jump, to Whole Foods during its second quarter ended in January.

The distributor is struggling to keep up with the surge in demand. It hopes to increase capacity by the fall.

—Heather Haddon

## NINTENDO

### New Videogames To Come to Switch

**Nintendo** Co. announced more than a dozen videogames coming to its Switch system this year, many from third-party developers.

Absent from the list of contributors, though, are **Activision Blizzard** Inc. and **Electronic Arts** Inc., the largest U.S. videogame publishers by market value.

Both just have one game on the year-old Switch and sold 15 million units globally through the end of 2017. Nintendo also said its own "Super Smash Bros." franchise will land on the Switch later this year.

—Sarah E. Needleman



The Shanghai Stock Exchange. Beijing has tightened standards on Chinese initial public offerings.

## IPOS

Continued from page B1

Shenzhen exchange's startup board. He figured his **Longyan Zhuoyue New Energy** Co., which produces biodiesel fuel from used cooking oil, was a shoo-in since it is the kind of environmental tech business the government wants to promote.

The IPO committee rejected Longyan Zhuoyue in January, citing questions about its business model, particularly regarding supplies of used oil and selling to overseas customers. Mr. Ye says some of his advisers suggested withdrawing the application when they saw rejections soar last year, but he persevered. "Of course when it's your own business, you're always confident," he said.

The securities commission

declined to comment about the IPO approval process. A vice chairman, Jiang Yang, told a media forum in December that the commission is shortening the vetting period, "pushing for more high-quality firms to enter capital markets and preventing diseases from entering the body via the mouth."

Unlike companies in the U.S., which market themselves to potential investors in order to list, Chinese firms can market shares only after they get regulatory approval. Submissions to the securities regulator can take years to receive a verdict. Only then can the firms arrange a listing with the exchanges in Shenzhen and Shanghai.

Beijing has promised to change the system for years, allowing companies to market initial public offerings after registering their plans with the commission.

Plans keep getting delayed. Beijing put the change on hold after the 2015 collapse of a bull market that wiped out \$5 trillion in value at its depth. Though soon after it promised to put the registration plan back on track, a new postponement announced last month pushed the deadline back again by two years.

Fending off financial risks—not policy reform—has come to dominate Beijing's thinking, featuring in major policy pronouncements in the past two years. President Xi Jinping enshrined the need to "forestall systemic financial risks" as an overarching goal for the Communist Party in a five-year policy platform this October.

The securities commission chairman, Liu Shiyu, who was brought in to clean up the markets after the 2015 crash, has embraced the new ethos,

At a closed-door meeting in July, according to officials at the meeting, Mr. Liu took the stage to deliver a stern ultimatum: For all IPOs approved, officials would be "accountable for life."

Among the casualties since then were firms making annual profits of more than 100 million yuan (\$15.8 million), including an operator of wastewater-treatment plants and maker of car parts.

Rapidly growing snacks producer Three Squirrels withdrew its application before a scheduled review by the IPO committee. The company, which has cartoon squirrels as mascots and has tapped e-commerce to sell flavored nuts, made 241 million yuan in profit during the first half of 2017, topping the 237 million yuan made in 2016. A spokesman for the firm declined to comment.

"The problem is we don't know what the regulator's standards are," said Shen Meng, director at Beijing-based Chanson & Co. A client of his boutique advisory firm is invested in a business-software vendor that has been waiting for its approval for two years.

Rapid rejections are helping whittle down a backlog of applicants in the IPO pipeline, dwindling those waiting to less than 400, from nearly 900 in 2016, according to data by Wind Information Co.

Many investors and analysts say some Chinese officials have long argued that the current system distorts markets by artificially limiting the supply of new shares and capping listing prices. It also hinders a goal of Chinese leaders to turn the stock market into a viable funding source for the economy, they said.

## WSJ. THE MEN'S STYLE ISSUE

ON SALE WITH  
THE WALL STREET JOURNAL

THIS SATURDAY,  
MARCH 10

THE WALL STREET JOURNAL MAGAZINE

## BUSINESS NEWS

# Congo Puts Squeeze on Cobalt Producers

Main global source of lithium-battery ingredient wants bigger cut of profits

By NICHOLAS BARIPO

Congo is set to ratify a new mining code over the objections of big resource companies, allowing the African nation to earn more from its natural riches but also potentially making smartphones and electric cars more expensive.

The move, which is expected to be announced Friday, would scrap certain protections for mining companies and boost tax payments and royalties for cobalt, a key ingredient of lithium-ion batteries used for electric vehicles. The Democratic Republic of Congo has more than 60% of the world's known cobalt reserves.

The new law comes despite last-ditch lobbying from the mining industry, which faces higher operating costs. Mining executives from **Glencore PLC**, **Randgold Resources**, **Ivanhoe** and **China Molybdenum**, among others, held a six-hour meeting with President Joseph Kabila in Kinshasa on Wednesday.

A Glencore executive said industry leaders would start a new round of talks with the government next week. The Swiss commodities giant is the largest producer of cobalt in both Congo and the world. Its shares closed down 1.1% on Thursday.

"It's going to create under-investment in the country, of course," said Glencore Chief Executive Ivan Glasenberg of the new mining code on a Feb. 21 call with analysts. He said it could threaten the global cobalt supply just as demand begins ramping up.

"So what happens in the DRC is going to be very im-



A new mining code would increase tax payments and royalties. The country has more than 60% of the world's known cobalt reserves.

portant going forward," he said.

Randgold, which draws 45% of its gold output from Congo, said last month that it would challenge the new code through international arbitration unless it is referred back to the mining ministry for consultation. Randgold said in a statement Thursday that it

expects to hold discussions with the government next week.

Congolese officials said specific concerns would be dealt with on a company-by-company basis after the mining code takes effect.

"We can't allow anyone to interfere with the lawmaking process in our country," said

Information Minister Lambert Mende. "The president has made his position clear."

The revised mining code could reverberate from the Central African nation to consumers in the U.S. and beyond if miners pass on higher costs. Cobalt prices have doubled in the past 12 months, as technology and automobile compa-

nies rush to secure supplies.

Analysts say the companies are unlikely to accept the new law without a fight. "Investors are highly likely to pursue international arbitration over the apparent flouting of the stabilization clauses," said Ben Payton, head of Africa research at risk consultancy **Verisk Maplecroft**. "But given

## African Nation Increases Royalties

Congo, mired in political crisis and with the majority of its 80 million people living in poverty, is seeking a larger slice of the profits from its rich natural resources, which include copper, gold, diamonds, nickel and tin.

The new law increases cobalt royalties—the fixed amount companies pay to government on their gross revenues—fivefold to 10% and introduces a 50% tax on profits should metal prices rise 25% above levels projected when a project was first approved.

The new code raises taxes on other metals such as copper, tantalum and gold and scraps a provision that protects license holders from having to comply with any changes to the mining code for 10 years.

Last month, the chief executive of state-owned **Gécamines SA** said Congo might renationalize the country's natural resources amid booming prices. Gécamines Chairman Albert Yuma Mulimbi said the nation hadn't benefited enough from its mining production.

Information Minister Lambert Mende said the government has yet to make a decision about nationalizing any mining assets.

cobalt's immense value, companies will be extremely reluctant to divest from DR Congo.

George Ott, an analyst with South Africa-based **NKC African Economics**, said that while miners with operations in Congo are unlikely to pull out, others may become more reluctant to enter given rising political risk.

## ADVERTISEMENT

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## CLASS ACTIONS

Important Legal Notice from the United States District Court for the Southern District of New York

### If you previously purchased or otherwise acquired certain Petrobras securities, you could get a cash payment from a class action settlement.

Two proposed settlements have been reached in a securities class action lawsuit brought by investors against Petróleo Brasileiro S.A. ("Petrobras") and certain of its affiliates, underwriters, external auditors, and current and former directors and officers. The Settlements include certain securities issued by Petrobras. Petrobras, the Underwriter Defendants, and PricewaterhouseCoopers Auditores Independentes ("PwC Brazil") deny any and all allegations of wrongdoing, and the District Court has not decided who is right.

If you requested exclusion in response to the previously mailed notice of pendency of class action dated May 9, 2016, you are included in this Settlement, and you must request exclusion again if you do not want to be included in the Settlement Class.

**Am I included in the proposed Settlements?** You are encouraged to visit the website [www.PetrobrasSecuritiesLitigation.com](http://www.PetrobrasSecuritiesLitigation.com) to see if you are included in the Settlement Class. The Settlement Class includes all Persons who:

(a) during the time Period between January 22, 2010 and July 28, 2015, inclusive (the "Class Period"), purchased or otherwise acquired Petrobras Securities, including debt securities issued by PifCo and/or PGF, on the New York Stock Exchange or pursuant to other Covered Transactions; and/or

(b) purchased or otherwise acquired debt securities issued by Petrobras, PifCo, and/or PGF, in Covered Transactions, directly in, pursuant and/or traceable to a May 13, 2013 public offering registered in the United States and/or a March 10, 2014 public offering registered in the United States before Petrobras made generally available to its securityholders an earnings statement covering a period of at least twelve months beginning after the effective date of the offerings (August 11, 2014 in the case of the May 13, 2013 public offering and May 15, 2015 in the case of the March 10, 2014 public offering).

For purposes of the Settlements, "Covered Transaction" means any transaction that satisfies any of the following criteria:

- (i) any transaction in a Petrobras Security listed for trading on the New York Stock Exchange ("NYSE");
- (ii) any transaction in a Petrobras Security that cleared or settled through the Depository Trust Company's book-entry system; or

1-855-907-3218

(iii) any transaction in a Petrobras Security to which the United States securities laws apply, including as applicable pursuant to the Supreme Court's decision in *Morrison v. National Australia Bank*, 561 U.S. 247 (2010).

The full definition of the Settlement Class, as well as full lists of Petrobras Securities eligible to satisfy criteria (i), (ii), and (iii) are available at: [www.PetrobrasSecuritiesLitigation.com](http://www.PetrobrasSecuritiesLitigation.com).

**What do the Settlements provide?** Petrobras, the Underwriter Defendants, and PwC Brazil have agreed to Settlements with a combined value of US\$3 billion (US\$3,000,000,000.00). The proposed settlement could provide for a cash payment depending upon: which securities you purchased or acquired; the number of eligible securities that you purchased or acquired; and when you purchased or acquired the eligible securities.

**How can I get a Payment?** You must submit a Proof of Claim to receive payment postmarked or submitted by **June 9, 2018**. Visit the website and file a Proof of Claim online, or download one and file by mail.

**What are my other options?** If you do not want to be legally bound by the Settlement, you must exclude yourself by submitting a written Request for Exclusion Form so that it is received no later than **April 27, 2018**. If you do not exclude yourself, you will release any claims you may have against Petrobras, the Underwriter Defendants, and PwC Brazil and certain other Released Parties. You may object to the Settlement by submitting a written objection so that it is received no later than **May 11, 2018**. You cannot both exclude yourself from, and object to, the Settlement. The longer Notice available on the website listed below explains how to exclude yourself or object. The court will hold a Settlement Hearing on **June 4, 2018** to consider whether to finally approve the Settlement and a request for attorneys' fees of up to 9.5% of the total Settlement Amount, which is \$285,000,000.00, and a compensatory award of up to \$400,000 for the Class Representatives. You may appear at the Settlement Hearing, either by yourself or through an attorney hired by you, but you do not have to. For more information, including the relief, eligibility, and release of claims, call the number or visit the website below.

For the Settlements, "Covered Transaction" means any transaction that satisfies any of the following criteria:

- (i) any transaction in a Petrobras Security listed for trading on the New York Stock Exchange ("NYSE");
- (ii) any transaction in a Petrobras Security that cleared or settled through the Depository Trust Company's book-entry system; or

www.PetrobrasSecuritiesLitigation.com

## PUBLIC NOTICES

Lost securities  
Public notice

The subsequently mentioned securities are missing. The unknown holders are herewith requested to submit the mentioned securities to the undersigning judicial office, otherwise they shall be declared void.

**PUBLICATION:**

1. Security paper: Registered share certificate of SoniWall AG, Zurich

2. To the account of: SoniWall AG, c/o Quest Software Switzerland GmbH, Seefeldstr. 69, 8008 Zurich,

3. Made out in the name of:

previous owner: SoniWall Inc., 2001 Logic Drive, San Jose, CA 95124, USA

today's owner: Quest Software Inc., 2711 Centerville Road, Suite 400, City of Wilmington, County of New Castle, DE 19808, USA

4. No. of security paper: 1 over 35'000 registered shares no. 1-35'000 with a face value of CHF 10 each

5. Balance/value: CHF 350'000.-

6. Issued on: 11 August 2010

7.1 Deadline of public notice: 3 months

7.2 Date (1st publication): immediate

8. Remarks: Reference number ES170067-L

DISTRICT COURT OF ZURICH  
Since sitting Judge Court –  
non-jurisdictional jurisdiction  
Court Reporter:  
Ic.lur. M. Ruegg



Shutting down the stores is one of many scenarios in play.

## Toys 'R' Us Considers Liquidating All Stores

Troubled toy chain **Toys "R" Us Inc.** is preparing to liquidate all of its U.S. stores and abandon efforts to restructure through the bankruptcy process, people familiar with the

matter said, after a weak holiday season torpedoed plans to reorganize.

The big-box retailer filed for chapter 11 protection in September with the hopes of reorganizing its roughly \$5 billion debt load, revamping its stores and operations, and continuing as a mainstay toy business.

The company recently announced plans to close 184 stores, or about 20% of its roughly 800 U.S. stores, as it worked with creditors to restructure its debts. Now it is evaluating bids to liquidate the remainder of its U.S. locations, the people said.

An announcement could come as soon as Monday when the parties are expected to appear at a bankruptcy hearing in Richmond, Va., the people said. How much Toys "R" Us decides to liquidate will de-

pend on the size of the liquidator bids it receives, the people said.

The plan to shut down the stores and liquidate the U.S. operations is one of several scenarios in play, one of the people said, and while some lenders are pushing that route, others want to find other options for Toys "R" Us to continue operations.

Toy manufacturers have grown anxious over losing the retailer, which is a key selling channel that carries a much larger breadth of their products than the likes of Target Corp. and Walmart Inc. Some smaller companies have also been worried about lenders pulling lines of credit if Toys "R" Us goes away.

The company, which had more than \$1 billion in annual revenue, has struggled with losses, a hefty debt load and the rapid shift to online shopping. It was taken private in 2005 for \$6.6 billion in a leveraged buyout by Vornado Realty Trust, Bain Capital and KKR & Co.

News that the Wayne, N.J., company was exploring a liquidation of its U.S. operations was first reported by Bloomberg News.

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## NOTICE OF SALE

## NOTICE OF PUBLIC SALE • Property to be Sold

Sale No. 1 • Bid Deadline: March 15, 2018, 10.00 a.m. (Eastern time)

CUSIP: 675270AA0

Original Face Amount of Bond: \$40,000,000.00

Maturity Date: July 15, 2015

along with the execution by the Issuer of the Assignment of Claims relating to the Oceanografia-related Claims.

Cowen and Company, LLC ("Cowen"), on behalf of The Bank of New York Mellon Trust Company, National Association, in its capacity as trustee ("the Trustee"), will be conducting sales of certain collateral without recourse, representations or covenants, express or implied, being made by the Trustee with respect to the Collateral (as defined in the "Collateral Agreement") or with respect to any other information then in the Trustee's possession, including without limitation any offering circular or other financing information.

**Location of Sale.** The sales will be held at 599 Lexington Avenue, 21<sup>st</sup> Floor, New York, New York 10022.

**Additional Information.** Please be advised that the sale of the securities listed above may be made only to the best bidder who is also a qualified bidder and will be subject to a reserve level. For additional information, including respect to qualified bidders and related information, an Information Memorandum and Confidential Bidder Agreement, contact James Burke by telephone at (212) 301-4100, or by e-mail at [julie.gilman@cowen.com](mailto:julie.gilman@cowen.com), or by facsimile at (212) 823-0234, or by mail addressed to 599 Lexington Avenue, 21<sup>st</sup> Floor, New York, New York 10022. **Disclaimer.** The Trustee is authorized at such sales, if the Trustee deems it advisable or is required by applicable law to do so: (i) to restrict the prospective bidders on or purchasers of the above identified security (the "Collateral") to be sold to those who will represent and agree that they are purchasing for their own account for investment and not with a view to the distribution or resale of any of such assets, (ii) to require that such security has not been violated by the Securities Act of 1933, substantially as amended, and may not be disposed of in violation of the provisions of said Act, (iii) to disclaim and to refuse to give any warranty (other than as to title), and (iv) to impose such other limitations or conditions in connection with any such sale as the Trustee deems necessary or advisable.

## INTERNATIONAL NOTICES

## Golden Key Ltd

(In Official Liquidation) ("the Company")

The Companies Law (2016 Revision)

NOTICE OF APPOINTMENT OF OFFICIAL LIQUIDATOR

TAKE NOTICE that by order of the Grand Court of the Cayman Islands made on 1 March 2018, Golden Key Ltd (in Receivership), registration number 153423, whose registered office is situated at KPMG, P.O. Box 493, Century Yard, Cricket Square, Grand Cayman KY1-1106, Cayman Islands, has been placed into Official Liquidation in accordance with the Companies Law.

TAKE FURTHER NOTICE that Kris Beighton and Jeffrey Stover of KPMG, P.O. Box 493, Century Yard, Cricket Square, Grand Cayman KY1-1106, Cayman Islands, have been appointed Joint Official Liquidators to the Company.

AND TAKE FURTHER NOTICE that creditors claiming in the liquidation of the Company are to provide their debts or claims on or before 9 April 2018

## MARKETS DIGEST

## EQUITIES

## Dow Jones Industrial Average



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&amp;P 500 Index



Dec. Jan. Feb. Mar.

\*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

## Nasdaq Composite Index



Dec. Jan. Feb. Mar.

## Major U.S. Stock-Market Indexes

	Dow Jones		S&P		Nasdaq Stock Market					
	High	Low	Latest Close	Net chg	% chg	High	Low	52-Week % chg	YTD % chg	3-yr. ann.
Industrial Average	24950.49	24703.05	<b>24895.21</b>	93.85	<span style="color: green;">0.38%</span>	26616.71	20404.49	<b>19.4</b>	0.7	<b>11.7</b>
Transportation Avg	10496.23	10343.83	<b>10465.63</b>	56.75	<span style="color: green;">0.55%</span>	11373.38	8783.74	<b>13.7</b>	-1.4	<b>5.5</b>
Utility Average	671.16	665.09	<b>669.88</b>	5.08	<span style="color: green;">0.76%</span>	774.47	647.90	<b>-2.0</b>	-7.4	<b>5.5</b>
Total Stock Market	28374.40	28194.26	<b>28355.92</b>	103.75	<span style="color: green;">0.37%</span>	29630.47	24125.20	<b>15.9</b>	2.5	<b>9.4</b>
Barron's 400	732.15	725.23	<b>728.90</b>	-0.65	<span style="color: red;">-0.09%</span>	757.37	610.89	<b>17.7</b>	2.5	<b>9.5</b>

## S&amp;P

500 Index	2740.45	2722.65	<b>2738.97</b>	12.17	<span style="color: green;">0.45%</span>	2872.87	2328.95	<b>15.8</b>	2.4	<b>9.8</b>
MidCap 400	1925.59	1906.23	<b>1917.63</b>	-2.79	<span style="color: red;">-0.15%</span>	1995.23	1681.04	<b>12.6</b>	0.9	<b>8.9</b>
SmallCap 600	960.63	950.45	<b>955.38</b>	-1.11	<span style="color: red;">-0.12%</span>	979.57	815.62	<b>15.5</b>	2.0	<b>11.1</b>
<b>Other Indexes</b>										
Russell 2000	1580.49	1564.59	<b>1571.97</b>	-2.57	<span style="color: red;">-0.16%</span>	1610.71	1345.24	<b>15.6</b>	2.4	<b>8.9</b>
NYSE Composite	12754.32	12672.36	<b>12745.01</b>	38.00	<span style="color: green;">0.30%</span>	13637.02	11324.53	<b>11.2</b>	-0.5	<b>5.5</b>
Value Line	562.43	558.12	<b>560.72</b>	0.05	<span style="color: green;">0.01%</span>	589.69	503.24	<b>9.5</b>	-0.3	<b>3.6</b>
NYSE Arca Biotech	4803.86	4730.59	<b>4800.90</b>	38.49	<span style="color: green;">0.81%</span>	4939.86	3449.61	<b>34.0</b>	13.7	<b>6.3</b>
NYSE Arca Pharma	544.75	538.54	<b>544.56</b>	6.43	<span style="color: green;">1.19%</span>	593.12	498.46	<b>6.3</b>	-0.1	<b>-0.6</b>
KBW Bank	114.31	112.37	<b>113.60</b>	-0.16	<span style="color: red;">-0.14%</span>	116.52	88.02	<b>17.1</b>	6.5	<b>15.9</b>
PHLX® Gold/Silver	79.12	77.86	<b>78.97</b>	0.18	<span style="color: green;">0.23%</span>	93.26	76.42	<b>1.6</b>	-7.4	<b>5.3</b>
PHLX® Oil Service	137.03	134.65	<b>136.57</b>	0.44	<span style="color: green;">0.32%</span>	171.55	117.79	<b>-18.2</b>	-8.7	<b>-11.2</b>
PHLX® Semiconductor	1409.25	1393.86	<b>1402.05</b>	1.59	<span style="color: green;">0.11%</span>	1402.05	960.01	<b>43.0</b>	11.9	<b>25.3</b>
Cboe Volatility	17.68	14.91	<b>16.54</b>	-1.22	<span style="color: red;">-6.87%</span>	37.32	9.14	<b>34.5</b>	49.8	<b>2.9</b>

\$ 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 5,000 shares.

## Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	9,202.4	274.04	-0.06	<b>-0.02</b>	274.24	272.86
General Electric	GE	3,563.5	14.51	-0.01	<b>-0.07</b>	14.53	14.48
Halliburton	HAL	3,381.0	46.01	...	<b>unch.</b>	46.05	45.92
Principal US Mega-Cap	USMC	3,350.0	26.49	0.03	<b>0.09</b>	26.49	26.49
Amgen	AMGN	2,704.0	187.16	...	<b>unch.</b>	187.35	186.65
Eaton Corp. PLC	ETN	2,652.7	81.14	...	<b>unch.</b>	81.15	81.07
Oracle	ORCL	2,566.4	52.10	-0.03	<b>-0.06</b>	52.25	51.91
Bank of America	BAC	2,554.1	32.20	...	<b>unch.</b>	32.21	32.06

## Percentage gainers...

PDL BioPharma	PDLI	214.0	3.20	0.55	<b>20.75</b>	3.20	2.62
AcelRx Pharmaceuticals	ACRX	186.8	2.15	0.25	<b>13.16</b>	2.30	1.85
Funko Cl A	FNKO	32.7	8.75	0.81	<b>10.20</b>	9.00	7.94
United Natural Foods	UNFI	112.5	47.85	4.11	<b>9.40</b>	51.95	43.70
InTEST	INTT	9.2	8.75	0.70	<b>8.70</b>	9.05	8.20

## ...And losers

VolitionRX	VNRX	10.6	2.45	-0.49	<b>-16.67</b>	2.86	2.30
Finisar	FNSR	994.2	18.52	-1.70	<b>-8.41</b>	20.89	18.40
Pernix Therapeutics Hldgs	PTX	22.7	2.70	-0.20	<b>-6.90</b>	2.85	2.64
Insys Therapeutics	INSY	37.9	7.23	-0.44	<b>-5.74</b>	7.67	7.05
Otonomy	OTIC	14.0	5.15	-0.30	<b>-5.50</b>	5.55	5.00

## Trading Diary

Volume, Advancers, Decliners

NYSE NYSE Amer.

Total volume\* 763,691,096 12,310,027

Adv. volume\* 417,421,360 4,393,595

Decl. volume\* 328,108,752 7,499,84

## COMMODITIES

WSJ.com/commodities

## Futures Contracts

## Metal &amp; Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	3,0980	3,0980	3,0515	3,0585	-0.0555	3,059	
March	3,0980	3,0980	3,0515	3,0585	-0.0555	3,059		
May	3,1350	3,1395	3,0705	3,0790	-0.0570	142,172		
Gold (CMX)	-100 troy oz.; \$ per troy oz.	1324.80	1326.80	1319.30	1319.90	-6.10	607	
March	1324.80	1326.80	1319.30	1319.90	-6.10	607		
April	1326.20	1329.80	1319.60	1321.70	-5.90	296,537		
June	1332.20	1335.50	1325.50	1327.60	-5.80	124,469		
Aug	1338.70	1340.90	1331.30	1333.50	-5.70	30,368		
Oct	1344.10	1344.20	1338.80	1339.30	-5.60	5,274		
Dec	1350.00	1352.40	1344.00	1345.30	-5.60	39,303		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.	966.20	983.90	958.00	965.60	6.55	24,726	
March	966.20	983.90	958.00	965.60	6.55	24,726		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.	955.40	960.10	946.80	952.30	-0.90	64,209	
July	961.00	965.00	952.40	957.50	-0.80	17,474		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.	16.440	16.465	16.375	16.436	0.008	658	
March	16.440	16.465	16.375	16.436	0.008	658		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.	60.29	61.40	59.95	60.12	-1.03	400,976	
April	61.29	61.40	59.95	60.12	-1.03	400,976		
May	61.16	61.25	59.91	60.06	-0.96	313,090		
June	60.90	60.98	59.77	59.91	-0.84	308,866		
July	60.49	60.58	59.49	59.64	-0.73	139,250		
Sept	59.61	59.63	58.69	58.84	-0.61	128,494		
Dec	58.17	58.32	57.44	57.64	-0.48	239,741		
NY Harbor ULSD (NYM)	-42,000 gal.; \$ per gal.	1.8812	1.8828	1.8562	1.8591	-0.155	94,429	
April	1.8812	1.8828	1.8562	1.8591	-0.155	94,429		
May	1.8856	1.8870	1.8591	1.8622	-0.169	76,126		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.	1.9306	1.9313	1.8795	1.8828	-0.034	104,477	
Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.	2.784	2.793	2.737	2.756	-0.021	271,998	
May	2.811	2.819	2.767	2.787	-0.019	222,979		
June	2.851	2.859	2.812	2.833	-0.014	83,947		
July	2.895	2.903	2.858	2.881	-0.010	104,496		
Sept	2.883	2.890	2.848	2.870	-0.008	75,340		
Oct	2.894	2.901	2.860	2.881	-0.009	130,335		

## Agriculture Futures

Corn (CBT)	-5,000 bu.; cents per bu.
March	378.50
May	386.25
Oats (CBT)	-5,000 bu.; cents per bu.
March	266.25
May	266.25
Soybeans (CBT)	-5,000 bu.; cents per bu.
March	1052.50
May	1063.00
Soybean Meal (CBT)	-100 tons; \$ per ton.
March	379.80
May	382.90
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.
March	31.81
May	32.10
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.
March	1226.00
May	1247.00
Wheat (CBT)	-5,000 bu.; cents per bu.
March	495.25
May	497.25
Wheat (KCO)	-5,000 bu.; cents per bu.
March	520.00
May	533.25
Wheat (MPLS)	-5,000 bu.; cents per bu.
March	621.75
May	619.25
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
March	143,650
April	145,600
Cattle-Live (CME)	-40,000 lbs.; cents per lb.
April	123,225
June	114,975
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
April	67,175
June	78,350
Lumber (CME)	-110,000 bd ft., \$ per 1,000 bd ft.
March	497.00
May	475.50
Milk (CME)	-200,000 lbs., cents per lb.
March	120,900
April	122,330
May	112,600
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
April	68,175
June	77,350
Lumber (CME)	-110,000 bd ft., \$ per 1,000 bd ft.
March	497.00
May	475.50
Milk (CME)	-200,000 lbs., cents per lb.
March	141,600
April	140,000

Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Corn (CBT)	385.75	385.75	385.75	387.00	385.75	6.50	4,690
May	393.75	393.75	385.75	393.50	393.50	6.25	755,400
Oats (CBT)	260.75	260.75	260.75	264.25	265.00	1.00	4,670
May	266.25	267.50	264.25	265.00	265.00	1.25	2
Soybeans (CBT)	1053.75	1053.75	1053.75	1047.00	1053.75	-1.25	2,199
May	1069.25	1069.25	1065.50	1064.00	1064.00	-1.25	405,570
Soybean Meal (CBT)	380.60	380.60	380.60	382.40	383.40	-0.10	676
May	382.90	382.60	380.20	380.40	380.40	-0.10	226,145
Soybean Oil (CBT)	378.40	378.40	378.40	380.70	380.70	-0.10	226,145
May	381.80	381.80	373.72	381.60	381.60	-0.26	165
Rough Rice (CBT)	1226.00	1226.00	1226.00	1226.00	1226.00	-5.50	4
May	1247.00	1250.00	1231.00	1243.00	1243.00	-5.50	6,078
Wheat (CBT)	494.75	494.75	494.75	494.75	494.75	-1.75	390
May	502.50	502.50	490.25	499.25	499.25	2.00	222,423
Wheat (KCO)	519.75	519.75	519.75	519.75	519.75	-1.25	46
May	538.50	538.50	526.00	533.25	533.25	-1.00	130,634
Wheat (MPLS)	621.75	623.25	621.75	621.75	621.75	1.75	12
May	625.00	625.00	617.25	624.75	624.75	4.75	33,091
Cattle-Feeder (CME)	141,750	141,750	141,750	141,750	141,750	-2,025	8,041
May	145,600	145,800	141,900	143,000	143,000	-2,375	18,139
Cattle-Live (CME)	123,275	123,275	123,275	123,275	123,275	-5.50	137,476
May	122,330	122,330	120,900	121,775	121,775	-1,200	109,641
Hogs-Lean (CME)	113,275	113,275	113,275	113,275	113,275	-1,550	137,476
May	115,000	115,000	112,600	113,275	113,275	-1,550	137,476
Lumber (CME)	120,295	120,295	120,190	120,295	120,295	-5.00	42,644
May	120,000	120,100	119,305	120,055	120,055	-4.50	3,397,172
5 Yr. Treasury Notes (CBT)	110,000						

## BIGGEST 1,000 STOCKS

WSJ.com/stocks

## How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

**Footnotes:**  
 i-New 52-week high.  
 d-Indicates loss in the most recent four quarters.  
 f-FIRST day of trading.  
 h-Does not meet continued listing standards.  
 l-Late filing.  
 q-Temporary exemption from Nasdaq requirements.  
 t-NYSE bankruptcy.  
 v-Trading halted on primary market.  
 w-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 8, 2018

Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg	Stock	Net Sym Close Chg
<b>A</b>	<b>B</b>	<b>C</b>													
ABB	ABB 24.36 0.17	AutoZone	ATHM 84.49 4.67	CanaryRes	RNCN 30.14 -0.34	Goldcorp	GG 13.02 0.04	LG Display	LPL 13.00 0.07	NewCorp A	NWSA 16.22 -0.08	NorthCaribbean	RCL 124.78 1.25	TractorSupply	TSCO 64.41 0.63
AES	AES 18.84 0.04	Autoliv	ALV 149.99 2.22	CapnacRwy	CPBL 178.35 0.27	GoldmanSachs	GDS 266.34 0.99	LINE	LN 40.17 0.78	NextEraEnergy	NEE 154.31 1.26	RoyalDutchA	RDSA 63.14 -0.10	TransCanada	TRP 43.33 0.17
Aflac	AFL 89.99 1.22	AutoZone	AZO 654.60 -2.17	CapitolOne	CAJ 36.87 -0.01	Goodyear	GT 28.46 -0.15	LKQ	LKK 38.79 -0.21	Nike	NKE 65.11 0.94	RoyalDutchB	RDS.B 64.11 -0.17	TransDigm	TDG 286.01 -1.01
AGNC Inv	AGNC 15.86 0.12	AvalonBay	AVB 159.50 1.39	CardinalHealth	CAH 70.42 0.38	Graco	GGG 45.77 -0.14	T3 Tech	LTL 207.28 1.91	Ryanair	RYAA 123.25 0.09	Travelers	TRV 139.67 1.51		
ANHomesvAC	ANH 15.19 -0.08	Avgardind	AGR 48.09 0.26	DiscovComm	CDISK 32.50 6.50	Grainer	GWV 274.30 3.44	LabCorp	LAM 172.80 1.35	SAP	SAP 108.34 0.43	Trimble	TRMB 38.30 -0.16		
Ansys	ANSS 168.00 2.63	AxaltaCoating	AXTA 32.50 0.40	GreatPlainsEner	GXP 23.96 0.03	GreatPlainsEner	GXP 30.10 0.49	LandResearch	LRCX 212.74 1.00	Nokia	NOK 5.87 -0.01	TripAdvisor	TRIP 42.45 -0.13		
ASML	ASML 205.02 -1.03	B&T	BBT 55.02 -0.09	Grifols	GRF 21.31 -0.26	Grifols	GRF 21.31 -0.26	LamarAdvt	LAMR 66.65 0.42	SEI Investments	SEIC 75.36 0.45	TurkcellIletsem	TKC 9.65 -0.07		
AT&T	T 37.11 0.20	BCE	BCE 44.19 0.29	HubSpot	HUBP 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	LamarWeston	LWV 56.67 0.38	Sina	SINA 121.94 -0.98	TwinkieHill	TRQ 3.23 -0.04		
AbbottLabs	ABT 61.87 0.58	BHPBilliton	BBL 39.21 -0.04	HolidayTree	DLTR 91.32 0.27	GroceryOutlets	GRO 106.39 2.23	Lazard	LAZ 55.19 0.81	SINOPAC	SPI 59.27 0.16	21stCenturyFoxA	FOX 37.18 0.16		
AbbVie	ABBV 117.01 0.28	BokFin	BOKF 59.82 -0.53	GroceryOutlets	GRO 106.39 2.23	Gruber	GRUB 106.39 2.23	Lea	LEA 187.21 0.76	SINOPAC	SPI 59.27 0.16	21stCenturyFoxB	FOX 37.18 0.16		
Abiomed	ABMD 288.60 3.22	BP	BP 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	LeggettPlatt	LGL 43.52 0.25	SLGreenEnergy	SLG 99.47 -0.61	Twitter	TWTR 34.85 -0.91		
Accenture	ACN 158.00 -0.50	BRCF	BRCF 7.61 -0.12	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
ActivisionBliz	ATVI 76.81 2.74	BRT	BRT 16.73 0.03	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AcuityBrands	AYI 151.76 4.96	BWTX	BWTX 64.37 0.40	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AdaboSystems	ADBE 210.40 -0.46	BWY	BWY 17.44 0.29	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AdvMicronDevices	AMD 117.97 0.27	BX	BX 39.21 -0.04	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AdvSemEngg	ASML 7.34 0.16	BabuBilba	BBA 187.18 -1.87	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Aegon	AEG 6.89 -0.01	BancodeChile	BCH 100.79 -1.47	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AerCap	AER 49.21 0.27	BanCorp	BAN 107.42 -0.02	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Aetna	AET 176.25 -2.39	BanCorpMex	BAS 32.11 -0.16	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AffiliatedMtrs	AMG 191.54 1.44	BaptistMed	BAPT 55.02 -0.09	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AgilentTechs	AGL 68.85 -0.03	Baud	BUD 215.14 -0.12	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AgnicoEagle	AEM 39.09 -0.71	BauerHuges	BHG 29.31 0.39	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlProducts	APD 167.08 2.55	Ball	BLL 41.02 -0.28	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlkametTech	AKAM 75.00 5.09	BanCorpBanc	BBN 119.89 1.10	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlaskaAir	ALK 64.80 0.08	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Albermarle	ALB 69.29 -0.77	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Alcoa	AA 47.41 -0.47	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlexandriaREst	ARE 126.54 -0.14	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlexionPharm	ALXN 120.61 1.38	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Alibaba	BABA 187.18 -1.87	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Albemarle	ALB 69.02 -0.01	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Allegion	ALLE 84.76 0.83	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AltaSea	ALTA 17.65 0.23	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AlliantEnergy	LNT 38.32 0.26	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Allstate	ALL 94.34 0.94	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
AllyFinancial	ALLY 16.06 -0.20	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Amazon.com	AMZN 155.88 0.44	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech	TYLC 211.11 -0.24				
Ambev	ABEV 7.16 0.04	BBL	BBL 39.46 0.15	GroceryOutlets	GRO 106.39 2.23	GroceryOutlets	GRO 106.39 2.23	Ledos	LDO 67.91 1.27	Tech					

## BANKING &amp; FINANCE

# Bill Would Require Free Credit Freezes

Consumer advocates say measure doesn't go far enough; firms face hit to fee revenue

BY LALITA CLOZEL  
AND ANNAMARIA ANDRIOTIS

**WASHINGTON**—Consumers are on track to get one thing from Congress in response to last year's large Equifax Inc. hack: free freezes of their data held by the credit-reporting companies.

The bipartisan agreement, set to be approved in the Senate by next week as part of a broader banking bill, would require credit-reporting companies to let consumers block access to their credit reports to potential lenders without paying a fee. Freezing access to credit data is a crucial measure consumers can take if they want to protect themselves from identity theft.

Credit-reporting firms are mixed about the measure, which would erode a source of revenue, while consumer advocates worry it doesn't go far enough to give people more control over their data.

The provision would set a single national standard for

credit freezes. Currently, 42 states allow credit-reporting firms to charge for the service unless an individual was a victim of identity theft. Eight states and the District of Columbia mandate waiver of the fees under all circumstances.

The U.S. has three main reporting companies—Equifax, Experian PLC and TransUnion—that typically charge \$10 or less each to freeze or reinstate credit-data access, depending on a patchwork of state laws. The measure would bar fees for both.

Under the provision, credit-reporting firms would have to place the freeze within one to three days after receiving a consumer's request. Consumers would also be able to unfreeze their credit within an hour, if the process is requested electronically, or three days if requested by mail.

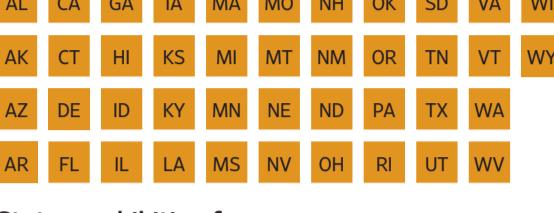
Consumer groups are concerned the measure would override future efforts by states to implement stricter freeze requirements on credit-reporting firms, for instance, making credit freezes a default setting for credit reports, essentially requiring consumers to approve any credit inquiry from potential lenders.

"It's stopping the states

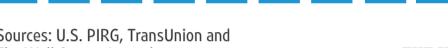
## Fee Block

Consumers in 42 states, under proposed federal legislation, would join those in eight states and the District of Columbia that already have guaranteed access to free credit-data freezes.

## States allowing fees for credit freezes



## States prohibiting fees



Sources: U.S. PIRG, TransUnion and The Wall Street Journal

THE WALL STREET JOURNAL

from doing anything better in the future, and that's a problem," said Mike Litt, a director at U.S. PIRG, a consumer-rights group.

Sen. Mark Warner (D., Va.), one of the chief sponsors of the broader Senate bill, said he regretted the legislation—the result of a compromise between the political parties—doesn't do more to rein in credit-reporting companies.

"They have all of our personal information," Mr. Warner said. "And there are not

clear standards and clear penalties."

The credit-reporting firms have accepted the change is coming. "This is likely to be Congress's opportunity to address the credit-reporting industry," said Francis Creighton, head of the Consumer Data Industry Association, a trade group that represents credit-reporting companies.

"We think it's fair that we're able to charge a fee on a freeze," Mr. Creighton, said. But, "given that [policy mak-

ers] don't agree with us, this bill is perfectly reasonable," he added.

"We are not upset with the provision of the proposed law. We support a federal security freeze statute that simplifies the process for consumers," Experian said.

The provision likely will result in credit-reporting firms pitching credit-monitoring and other subscription-based services, according to a person familiar with the matter.

Credit-reporting firms don't break out what share of their revenue comes from credit freezes, though an industry executive says it is much smaller than other services they sell consumers, such as credit monitoring and identity-theft protection.

But removing freeze fees would eliminate funds some of the companies say they use to help cover the costs associated with the freezes, including maintaining call centers. In some cases, the companies incur losses from the service.

The provision's impact likely extends to lenders who receive loan applications from consumers with frozen reports.

In some cases, lenders that contact the firms for the ap-

plicant's credit reports and receive a notice that the report is frozen will still pay for that service. The lenders in most cases wouldn't move forward with the loan application without a credit report.

Some firms are letting consumers place limits on their credit reports at no cost. Equifax and TransUnion offer a free service that allows con-

**The bipartisan Senate agreement is part of a broader banking bill.**

sumers to lock and unlock their credit reports, while Experian charges for it.

Locks are similar to credit freezes in helping to block identity thieves from obtaining financing in another person's name. While they offer more convenience, such as control of data via an app, locks also give consumers less legal protection, consumer advocates say.

The Equifax hack compromised the personal information of 147.9 million people.

# Judge's Lehman Ruling Sets Back Investors

BY ANDREW SCURRIA

**Lehman Brothers Holdings Inc.** caused \$2.4 billion in damages to investors holding securities backed by shaky home mortgages, a New York bankruptcy judge ruled Thursday, ending one of the last remaining disputes in the defunct bank's nearly decade-long liquidation.

U.S. Bankruptcy Judge Shelley C. Chapman's decision marks a loss for investors, mostly hedge funds, which said their claims were worth \$11.4 billion, and a win for Lehman's bankruptcy administrators, who had proposed the \$2.4 billion figure.

She fixed the investors' claim after a 22-day trial surrounding 72,500 home loans from before the 2008 financial crisis that bond trustees said were rife with misstatements about the borrowers' income, their debts and their places of residence.

Todd Cosenza, an attorney for the Lehman administrators, said "we are gratified with the court's well-reasoned and thorough decision, which we believe reflects a fair outcome for all creditors."

An attorney for the trustees declined to comment.

Neither side can appeal the decision under a trial framework they worked out last year to resolve Lehman's liability for lapses in underwriting standards on mortgages that it bundled and securitized for resale.

Trustees acting on behalf of those investors had brought claims against the Lehman



Investors holding securities backed by shaky home mortgages will be paid on a equal footing with other Lehman unsecured creditors.

bankruptcy estate for breaches of representations and warranties in which the bank vouched for the accuracy and quality of the underlying loan documents.

The trustees blamed losses in the mortgage-backed securities on so-called liar loans in which borrowers were largely taken at their word.

While cases like these have proliferated against bank underwriters since 2008, relatively few big-dollar disputes have gone to trial, in part because of the complexity and cost of cross-checking information in loan pools of hun-

dreds of thousands of mortgages against external sources.

Other courts have used statistical sampling techniques to produce rough estimates of investor losses. Judge Chapman required a loan-by-loan review that she said failed to turn up actionable breaches "for the vast majority of loans at issue."

The trustees' case against Lehman underscored the difficulty in determining whether borrowers were truthful when they took out home loans. Court records show that one applicant, a Stanley Steemer driver, signed loan papers in

2006 saying he earned \$6,500 a month. Tax records later revealed his earnings were less than half that, according to the trustees.

Another mortgage-loan applicant purportedly listed a gym membership among his debts but didn't include two other home mortgages, totaling \$205,900.

A waitress in New Jersey pledged to move within 60 days to Las Vegas as a condition of her mortgage but filed court papers in a personal bankruptcy case years later suggesting she never did, documents say.

The trustees said almost

55,000 of the 72,500 loans offered up for trial had inaccurate information about borrowers' income, debt or occupancy based on discrepancies with tax returns, bankruptcy filings, credit reports and property records.

But the judge said she doubted these types of records were always reliable or necessarily showed the loan applications were false.

She also criticized the trustees for running what she said was a biased review process and for failing to prove that the value of the underlying loans had been depressed.

# Merrill Settles on Longtop

BY MICHAEL RAPOORT

**Bank of America Corp.'s Merrill Lynch unit** agreed Thursday to pay \$1.4 million to settle Securities and Exchange Commission allegations that it didn't do enough to investigate red flags at a Chinese company whose unregistered securities it sold.

Merrill sold almost three million unregistered shares of financial-software company **Longtop Financial Technologies Ltd.** in 2011, the SEC said, even though it was aware of multiple questions about Longtop.

The red flags included a purported "gift" of the shares before the sale that might have not been valid; accusations of fraud at the company, and the resignation of the company's auditor, which cited questions about Longtop's finances, the SEC said.

A Merrill spokesman said the firm was "pleased to resolve this matter" and noted the Longtop sales were executed through an international wealth-management business that Merrill has since sold. It didn't admit or deny the SEC's allegations in agreeing to the settlement.

The sales generated almost \$38 million in proceeds for Longtop and its affiliates, the commission said. Merrill is paying a \$1.25 million fine plus disgorgement and interest.

# Tencent-Backed Travel Company Is Cruising Toward IPO

BY JULIE STEINBERG  
AND LIZA LIN

Chinese internet company **Tencent Holdings Ltd.** may soon have another opportunity to cash in on one of its investments.

**Tongcheng-Elong Holdings Ltd.**—a travel company backed by Tencent and China's largest travel website by market share, **Ctrip.com International Ltd.**—is planning an initial public offering in Hong Kong in the second half of this year, according to people familiar with the matter. The travel company could raise between \$1 billion and \$1.5 billion in its share sale, one of the people said.

Many Chinese companies backed by Tencent have either gone public recently or are planning IPOs this year, benefiting from strong investor interest in part because of Tencent's strong growth. Its Hong Kong-listed shares have doubled from a year ago.

Tongcheng-Elong was formed after a December 2017 merger between two online travel-service providers backed by Tencent and Ctrip. Before the combination, Elong was listed on the Nasdaq

## Growing Tentacles

Companies backed by Tencent that went public in the past six months or are planning IPOs

COMPANY	AMOUNT RAISED	LISTING
ZhongAn Online	\$1.8 billion	Hong Kong
China Literature	\$1.2 billion	Hong Kong
Sea	\$989 million	New York
Yixin Group	\$867 million	Hong Kong
Sogou	\$658 million	New York
C-Mer Eye Care	\$48 million	Hong Kong
Tencent Music	Planned	TBD
Tongcheng-Elong	Planned	Hong Kong
Mituan-Dianping	Planned	TBD

Sources: Dealogic (IPOS); staff reports (planned IPOS)

Stock Market for more than a decade and was taken private in 2016 after Ctrip, previously its rival, took a stake in it.

Tencent and Ctrip are the biggest shareholders in Tongcheng-Elong. They own about 45% of the company, according to a person familiar with the firm's structure. Other shareholders include **Dalian Wanda Group** and private-equity firm **Ocean Link**, the person said. Tongcheng

literally stands for "same trip," while Elong means "artistic dragon," representing its site's logo.

Tongcheng-Elong hasn't disclosed sales or profit figures, but the size of the IPO it is targeting indicates the company has a valuation of several billion dollars. Just before Elong was taken private, the company reported 2015 sales of 1 billion yuan (\$158.1 million) and had a market capitalization of about \$660 million, according to S&P Global Market Intelligence.

The company runs internet portals offering domestic and international travel services and operates in an online-travel market dominated by parent company Ctrip, **Alibaba Group Holding Ltd.**'s Fliggy and Ctrip affiliate **Qunar Cayman Islands Ltd.** In 2016, the two brands together had about 5% of China's online travel

market share, versus Ctrip, which had 36%, according to Bernstein Research.

Tongcheng allows customers to buy flight tickets, book accommodations and travel tours, while Elong's main business offers accommodations including hotels and guesthouses. The combined company is seeking to raise funds to better compete with new and existing rivals in the budget travel market, according to a person familiar with the matter.

Rising wealth is boosting travel demand from China, and the country is the biggest source of tourists globally. Chinese tourists made 4.53 billion trips domestically and internationally last year, almost three times the number of trips made by Americans, according to a recent report from the Chinese Academy of Social Sciences, a think tank.



Mascots for social-media platforms owned by Tencent, whose shares have doubled over the past year.

NG HAN GUAN/ASSOCIATED PRESS

## MARKETS

# Crypto Under Fire in Japan

Moves against several exchanges follow  
\$530 million hacking at Coincheck

By STEVEN RUSOLILLO  
AND KOSAKU NARIOKA

Japan's financial regulator punished several cryptocurrency exchanges on Thursday, including suspending operations at two of them for a month.

**CURRENCIES** The new restrictions follow an apparent \$530 million heist at one of its larger crypto platforms, **Coincheck Inc.**

The Financial Services Agency said two of the country's smaller exchanges, FSHO and Bit Station, had been ordered to halt operations for a month due to a lack of proper procedures to protect customers' assets.

The agency said the owner of Bit Station had improperly used customers' bitcoin for personal use. It also asked Coincheck to better protect clients, take anti-money-laundering measures and overhaul operations.

The regulator said that seven cryptocurrency exchanges, including Coincheck, lacked proper internal controls and needed to submit plans to improve their operations by March 22.

Coincheck said in a statement that it takes the measures seriously and aims to restore customers' trust. FSHO and Bit Station didn't immediately respond to requests for comment.

The Japanese regulator's moves come as restrictions are tightening globally on cryptocurrencies, which gained more prominence last year following a surge in prices.

But 2018 has been different, with many countries around the world, including China,



Coincheck President Koichiro Wada at a news conference in Tokyo on Thursday.

South Korea and the U.S., getting stricter in their regulatory efforts.

Japan is typically considered a country with one of the loosest regulatory landscapes for crypto exchanges and investors. But the environment shifted after Coincheck said in January that it lost about \$530 million in customer funds. Coincheck has said it plans to compensate its customers.

Bitcoin recently traded at around \$10,000, according to research site Coindesk. The price fell sharply on Wednesday after reports emerged that a bitcoin exchange in Hong Kong called Binance had problems executing orders. Binance

said it halted withdrawals after what it called "a large scale phishing and stealing attempt" and said no funds were stolen.

Hours before the Binance news surfaced Wednesday, the U.S. Securities and Exchange Commission issued an investor alert about digital-currency exchanges.

"The SEC does not review the trading protocols used by these platforms, which determine how orders interact and execute, and access to a platform's trading services may not be the same for all users," the commission wrote. "Investors should not assume the trading protocols meet the standards of an SEC-registered

national securities exchange."

Hacking has been a problem for the cryptocurrency market in recent years, with major attacks taking place in just the past few months.

A small Italian exchange, BitGrail, was hacked in February, and thieves stole about \$170 million of a little-known cryptocurrency called nano.

Since 2014, exchange hacks have cost investors about \$1.4 billion, according to an analysis by The Wall Street Journal. One of the most well-known hacks happened in 2014 in Japan, when the exchange at Mt. Gox said that 850,000 bitcoin, worth about \$450 million then, had been stolen.

# Treasurys Climb On Tariff Anxiety

By DANIEL KRUGER

U.S. government-bond prices gained as investors focused on the risk to economic growth presented by President Donald Trump's plan to impose tariffs on steel and aluminum imports.

The yield on the benchmark 10-year Treasury note fell for the second time in three sessions, to 2.866% from 2.883% Wednesday. The yield remains less than 0.1 percentage point below the high for the year of 2.943%. Yields fall as bond prices rise.

Yields dropped early in the session, with some investors saying that the tariffs would help curb global growth and potentially hinder the Federal Reserve from speeding up its pace of interest-rate increases beyond the three moves penciled in for this year by policy makers at their meeting in December.

Slower growth can make risky assets less attractive and

prompt buying in government debt.

Mr. Trump said Thursday he would sign proclamations imposing steep tariffs on steel and aluminum but granting the administration flexibility on the levels and the ability to spare critical U.S. allies. The initial plan called for tariffs of 25% on steel and 10% on aluminum imports.

"Tariffs are the headline event right now," said Aaron Kohli, an interest-rate strategist at BMO Capital Markets. Though they are expected to boost inflation pressures by raising prices on goods throughout the economy, their potential drag on economic growth has boosted demand for longer-term securities, he said.

The potential for retaliation to the tariffs from U.S. trading partners could potentially hurt the stock market, which would give investors an additional reason to buy government bonds, said Andrew Brenner, head of global fixed income at NatAlliance Securities.

## Treasury Sets Sales of \$158 Billion in Debt

The Treasury Department will auction \$158 billion in securities next week, comprising \$28 billion in new debt and \$130 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Monday:** \$51 billion in 13-week bills, a reopening of an issue first sold on Dec. 14, 2017, maturing June 14, 2018. Cusip: 9128283W8.

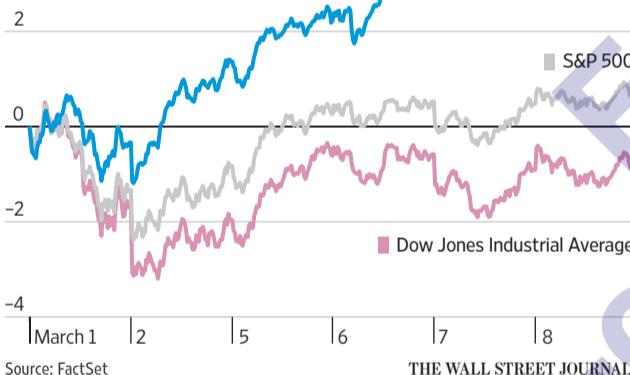
Also, \$21 billion in nine-year, 11-month 2.75% notes, a reopening of an issue first sold on Feb. 15, 2018, maturing Feb. 15, 2028. Cusip: 9128283W8.

Noncompetitive tenders for the 26-week bills and the three-year notes must be received by 11 a.m. EDT Monday; competitive tenders, by 11:30 a.m. For the 13-week bills and the nine-year, 11-month notes, the deadlines are noon and 1 p.m., respectively.

◆ **Tuesday:** \$13 billion in 29-year, 11-month 3% bonds, a reopening of an issue first sold on Feb. 15, 2018, maturing Feb. 15, 2048. Cusip: 912810SA7. Non-competitive tenders must be received by noon Tuesday; competitive tenders, by 1 p.m.

## Outpacing the Big Boys

The Russell 2000 has outperformed other benchmarks since the U.S. announced plans for tariffs.



Source: FactSet

## Small-Cap Shares Get Lift From Trump Policy

By CHELSEY DULANEY

Some investors are betting small U.S. companies will come out on top if global trade tensions continue to escalate.

The Russell 2000 index, often used as a benchmark for small-capitalization U.S. stocks, has risen 3.9% since the Trump administration announced tariffs on steel and aluminum last week. Its 2.4% gain for the year matches the S&P 500's increase and outpaces the Dow Jones Industrial Average's 0.7% gain.

The S&P and Dow, which include many U.S. firms with large overseas operations, have come under pressure since the announcement but recovered Thursday as the Trump administration said it would spare some U.S. trade partners. President Donald Trump signed the tariff orders on Thursday.

Still, many investors believe domestic-focused companies will hold up better than their multinational counterparts if U.S. tariffs spark a trade war because they depend less on global trade.

"If there are trade wars, small caps should be pretty insulated," said Ryan Detrick, senior market strategist for LPL Financial Holdings Inc.

"They don't sell overseas, so it's not going to hurt them as much."

Mr. Trump said the tariffs,

which fulfill a promise made on the campaign trail, will help revive domestic manufacturing by leveling the playing field with lower-price competition, particularly from China. Companies such as U.S. Steel Corp. have praised the move and announced plans to ramp up operations.

The tariffs come as confidence among U.S. small businesses is booming. These domestic firms were seen as the biggest beneficiaries of the U.S. tax overhaul due to their high tax rates. A monthly survey by the National Federation of Independent Business, an advocacy group for small businesses, showed that optimism among small-business owners neared a record in January. Businesses reported plans to expand and boost investment.

Jim Paulsen, chief investment strategist at **Leuthold Group**, is skeptical that domestic companies will escape the rise in trade tensions unscathed.

Manufacturers that consume steel and aluminum are likely to face higher costs, while retaliatory measures that trade partners, including Europe and China, have threatened could affect a number of small U.S. businesses.

"The reality is that a lot of domestic small-cap companies have 80% to 90% of their sales abroad," said Mr. Paulsen.

"They're not necessarily immune to a trade war."



Kroger's shares fell 12% after the supermarket chain said its profit would suffer as it expands its e-commerce platform.

## Stocks Turn Up in Broad Advance

By AKANE OTANI  
AND GEORGI KANTCHEV

U.S. stocks finished higher, reversing declines from earlier in the session, after the White House said widely debated tariffs on metals imports would spare some key U.S. allies.

Major indexes wobbled around the flatline for much of the day, then climbed in the final hour of

**THURSDAY'S** trading as the Trump administration said it would take a

narrower approach than initially

suggested in imposing tariffs on

steel and aluminum imports.

Stocks had come under pressure last week as investors worried that the tariffs—which the White House had said wouldn't exclude any countries—could lead to retaliatory trade measures. Yet on Thursday, President Donald Trump suggested the administration would take a more flexible approach to the rollout—including exemptions for Canada and Mexico and opening the way for other countries to negotiate tariff reductions.

That concession, along with others the administration had hinted at earlier in the week,

helped stocks regain some ground, with the Dow Jones Industrial Average adding 93.85 points, or 0.4%, to 24,895.21 on Thursday. The blue-chip index is on track to post a weekly gain.

The S&P 500 rose 12.17 points, or 0.4%, to 2,738.97, while the Nasdaq Composite advanced 31.30 points, or 0.4%, to 7,427.95 for its fifth consecutive gain.

Still, investors say volatility, which spiked in February on concerns about rising inflation, will remain elevated as details about the trade plan continue to trickle out.

"We're generally in a more volatile environment, and the market will be sensitive to any headlines," said Randy Warren,

chief investment officer of Philadelphia-based Warren Financial.

A flurry of corporate news drove swings in individual stocks.

**Cigna** shares fell \$22.25, or 11%, to \$172.00 after the health insurer said it planned to buy

**Express Scripts**, a St. Louis-based pharmacy-benefit manager, for \$54 billion. Express Scripts jumped 6.30, or 8.6%, to 79.72.

Shares of **Kroger**, one of the largest supermarket chains in

the U.S., slid 3.25, or 12%, to 22.98 after the company said its profit would suffer as it expands its e-commerce platform in an attempt to take on the likes of Walmart and Amazon.com.

Elsewhere, the European Central Bank left interest rates unchanged but dropped a pledge to accelerate bond purchases if the economy deteriorates.

"They're essentially signaling confidence in the economy and saying it's time to take the

training wheels off," said Karyn Cavanaugh, senior market strategist at Voya Investment Management.

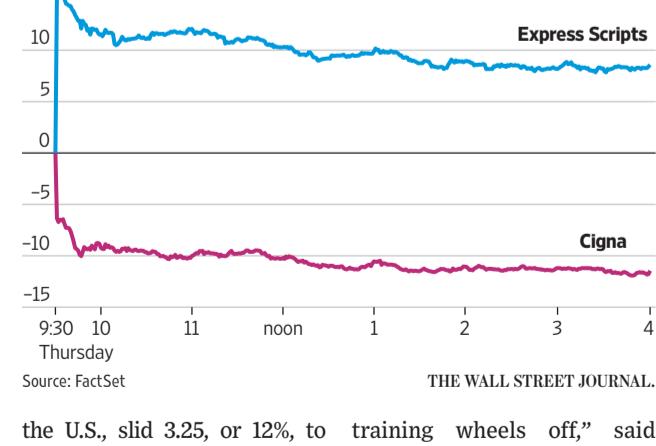
The Stoxx Europe 600 rose 1% for its fourth straight daily advance, supported by a rally in technology shares.

At midday in Tokyo on Friday, Japan's Nikkei Stock Average was up 0.9%, while South Korea's Kospi was up 1.5%. Hong Kong's Hang Seng Index was up 0.8%.

### It's a Deal

Cigna shares slid after the health insurer agreed to buy pharmacy-benefit manager Express Scripts.

20%



Source: FactSet

Performance, minute by minute

Express Scripts

Cigna

9:30 10 11 noon 1 2 3 4

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## MARKETS

## Stocks' Bull Run Hits 9 Years Going Strong

BY AKANE OTANI

The bull market turns nine years old Friday, extending an epic run for U.S. stocks even as concerns about heightened volatility and inflation have slowed the pace of the rally in recent weeks.

It has been 2,266 trading days since stocks hit their financial-crisis trough on March 9, 2009. In the years that have followed, corporate profits have regained their footing, while the unemployment rate has fallen to 17-year lows and the pace of global economic growth has accelerated.

The S&P 500 has more than quadrupled over that period—making its bull run, defined as a gain of 20% or more from a low point, the second longest in U.S. history. The Dow Jones Industrial Average is up 280%, while the Nasdaq Composite has surged 486% over that time.

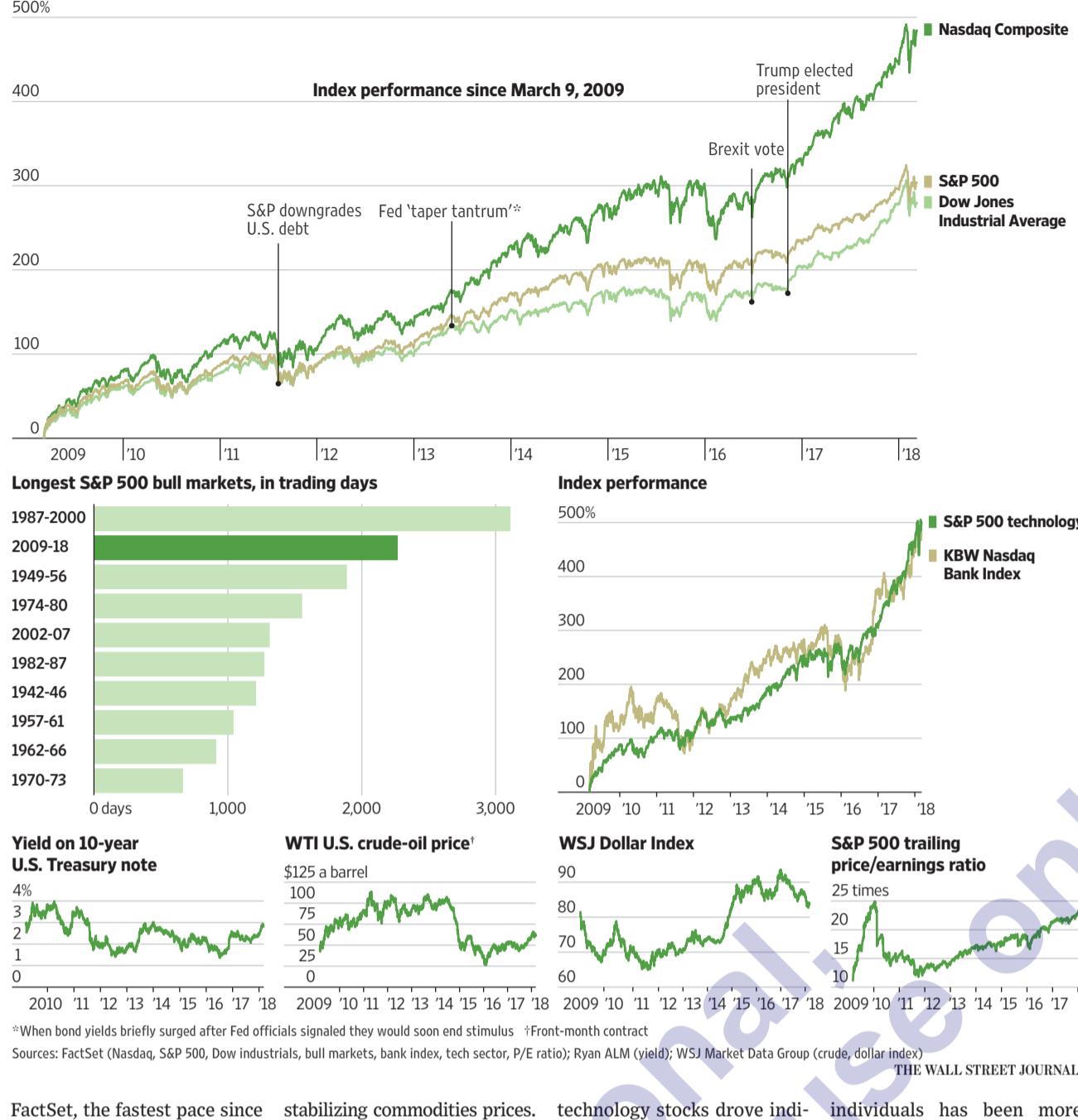
Yet even as stocks have repeatedly defied investors' expectations, the bull market has been called "unloved," or even the "most hated rally ever," reflecting investors' widespread disdain for shares that look pricey, gridlock in Washington and—more recently—the threat of trade wars casting a shadow on corporate-earnings growth.

"It's going to be a hard slog, certainly compared to the previous nine years," said John Velis, a macro strategist at State Street Global Markets. Still, Mr. Velis said, it is tough to argue that the end of the bull run is imminent.

Corporate earnings look strong enough to continue supporting further stock gains, investors say, even as the Federal Reserve pares its bondholdings and raises short-term interest rates from near historic lows.

With nearly all results in for the latest quarter, companies in the S&P 500 are on track to report earnings growth of 15% from the year-earlier period, according to

Stocks have repeatedly defied investors' expectations since bottoming out on March 9, 2009, thanks to an improving global economy and corporate profits.



\*When bond yields briefly surged after Fed officials signaled they would soon end stimulus †Front-month contract

Sources: FactSet (Nasdaq, S&P 500, Dow Industrials, bull markets, bank index, tech sector, P/E ratio); Ryan ALM (yield); WSJ Market Data Group (crude, dollar index)

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conducted by the American Association of Individual Investors, below the long-term average of 39% and below the 75% they hit in January 2000, shortly before the height of the tech bubble. The contained enthusiasm for stocks has reassured investors who believe market tops are often preceded by euphoric risk-taking.

Still, even with earnings continuing to point to strength among U.S. corporations,

*'It's going to be a hard slog, certainly compared to the previous nine years.'*

many investors agree that it will be difficult for the market to top its returns from 2017, when an unusually calm streak of trading lifted shares worldwide to multiyear highs.

The S&P 500 is up 2.4% for the year, after sliding into correction territory—a fall of 10% from its Jan. 26 all-time high—in February and logging its biggest monthly decline since March 2016. The Dow Jones Industrial Average has risen 0.7%, while the Nasdaq Composite is up 7.6%.

The moves have come amid a resurgence in volatility: The S&P 500 notched only eight daily moves of 1% or more in all of 2017, but the broad index has closed up or down at least 1% on 16 occasions so far this year.

Investors can no longer take for granted the backdrop of low interest rates, steady growth and muted inflation that helped stocks extend their multiyear highs into early 2018.

"We got so spoiled last year, when you could have practically bought anything and it went up," said JJ Kinahan, chief market strategist at TD Ameritrade. "This year, there's no truly safe place to be."

## HEARD ON THE STREET

FINANCIAL ANALYSIS &amp; COMMENTARY

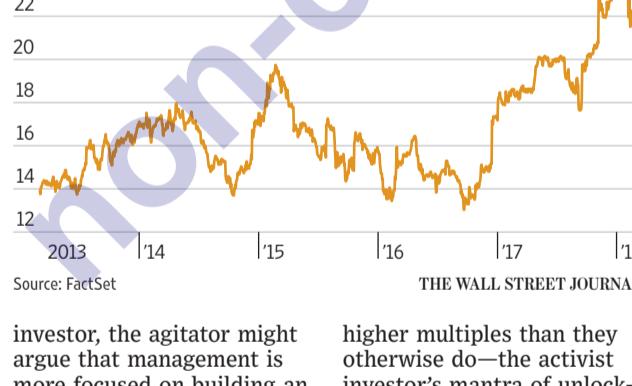
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## United Technologies Should Wait

## In Flight

United Technologies' ratio of share price to forward free cash flow



investor, the agitator might argue that management is more focused on building an empire than creating value for shareholders.

But the company's good record, high valuation and willingness to sell assets—Sikorsky helicopters in 2015 for \$9 billion—make a breakup a bad idea right now.

The main reason to pursue a split would be getting each business to trade at

higher multiples than they otherwise do—the activist investor's mantra of unlocking value. But, given investor enthusiasm for most industrial stocks these days, there isn't much value left to unlock.

United Technologies is up 18% over the past year, outperforming the S&P 500. Currently, United Technologies shares trade at 22 times this year's expected free cash flow, according to Fact-

Set. That is near a 10-year high and a premium to rival conglomerates Honeywell and Siemens, which trade at about 19 and 15 times, respectively.

Companies that get bought aren't even fetching United Technologies' multiple. Look no further than Rockwell Collins, a maker of airplane parts like cockpit displays that United Technologies agreed to buy in September. Those shares traded at 17 times forward free cash flow before word of deal talks emerged last summer and now command 20 times.

That is a strong valuation but less than what the conglomerate fetches.

And the bull market won't last forever. Saving a breakup for lean times when earnings are challenged and executives are struggling to boost growth might be wiser. Then a breakup can actually energize the newly emerged businesses and re-ignite investor enthusiasm.

There is reason to wait before shaking things up.

—Charley Grant

## OVERHEARD

## Snap Can't Snip Its Way To Success

**Snap** is a bit too young to be worried about dieting.

The parent company of Snapchat is planning to trim about 10% of the engineers in its employ, The Wall Street Journal reported Wednesday. An internal memo from the company obtained by the news site Cheddar put the total number of layoffs at 120.

Snap reported 3,069 full-time employees at the end of 2017, which was a gain of 65% from the previous year. But its pace of expansion slowed remarkably late in the year.

Minding the expense line typically isn't a bad idea for a company that, even with several favorable adjustments, lost more than \$720 million last year. But investors aren't expecting Snap to cut its way into profitability.

Snap's fourth-quarter results last month were a good sign for the long term as user growth accelerated following a prolonged slowdown.

But the company also has shed nearly \$3.7 billion in market value since those results after a recent redesign of Snapchat proved controversial.

Mark May of Citigroup cited a "significant jump in negative app reviews" when he downgraded the stock to a "sell" rating on Feb. 20. Snap shares lost 6% two days later after Kylie Jenner, one of the famed Kardashian clan, tweeted a criticism of the new design.

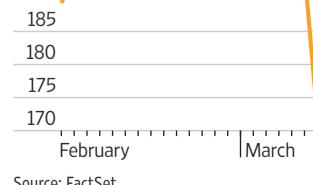
One celebrity, of course, isn't going to make or break the service. But the fact that Snap is still vulnerable to such whims indicates that those still employed by the company have a big job ahead.

—Dan Gallagher

## Cigna's Acquisition Cure Risks Dangerous Side Effects

## Mixed Reviews

Cigna's share price



zon.com means that companies such as Cigna face an urgency to bulk up. Cigna says the transaction will result in significant earnings-per-share growth in the first

full year after the deal closes.

Including \$15 billion in assumed debt, Cigna is paying about nine times trailing earnings before interest, taxes, depreciation and amortization for the company, a fairly sober price given the frenzied deal environment.

Still, Cigna's purchase comes with plenty of baggage. For one thing, the announcement arrived less than 24 hours after Food and Drug Administration commissioner Scott Gottlieb criticized excessive consolidation in the prescription-drug supply chain in a speech before a health-insurance trade group.

"Too often, we see situations where consolidated firms—the PBMs, the distributors and the drugstores—team up with payors. They use their individual market power to effectively split some of the monopoly rents with large manufacturers and other intermediaries rather than passing on the savings garnered from competition to patients and employers," Dr. Gottlieb said.

The fundamental premise of Express Scripts' business—that it saves the health-care system money by leveraging buying power to keep drug prices low—is questionable. Anthem, Express Scripts' largest client,

sued the PBM in 2016, alleging that it overcharged the insurer for prescription drugs. Anthem won't be renewing its contract when it expires at the end of next year.

Since much of the industry operates on long-term contracts, the fallout from the spat with Anthem could result in additional lost clients over time. Tying up with Cigna, a competing insurer, may exacerbate that risk.

As such, it is likely that the PBM business has already seen its best days. In that scenario, Cigna has increased its vulnerability to industry changes rather than reduced it.

—Charley Grant

What's the hottest rock in home design?  
**M11**



# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

*High expectations are the key to everything.* —Sam Walton

Friday, March 9, 2018 | **M1**



BETH HALL FOR THE WALL STREET JOURNAL (3); PAUL WARCHOL (TOP INSET)

**MAKING MUSIC** The Bentonville Academy of Music in downtown Bentonville is both a work space and a home to Dana and Todd Renfrow and their children. The lower level holds eight music practice rooms and living spaces are on the upper floors. Above, a seating area in the academy. Below left, the couple with the youngest of their six children, Ellie, 10, Ryan, 14, and Emma, 8.

## The Luxury Homes Walmart Built

In the retail behemoth's hometown of Bentonville, Ark., new cosmopolitan amenities have drawn upscale buyers downtown; bike trails and a culinary school.



BY SARAH NASSAUER

**NEAR WALMART'S** headquarters in Bentonville, Ark., the locals speak fondly of founder Sam Walton's distaste for ostentatious cars and homes—even as he became the richest man in the world. His disdain ran so deep, say former employees, that he also expected his executives to keep signs of their wealth subtle.

Twenty-six years after Mr. Walton's death, what was once a sleepy company town has become a mecca for luxury-home buyers. Many of the homeowners in the northwest Arkansas region of around half a million people are the company's executives, as well as top brass from consumer-goods companies that sell their products

Please turn to page M10



## 'IT'S OUR GAME-DAY HOUSE'

Tired of competing for booked-up hotels, alumni of colleges with powerhouse athletic programs are snapping up properties near campus to create their own home-court advantage; a 55-inch TV, a grill and a Kegerator.

BY AMY GAMERMAN

**WHEN IT COMES** to a vacation retreat, most home buyers pick somewhere they can sunbathe, ski or play golf. Janet and Dave Murfin chose somewhere they can watch basketball.

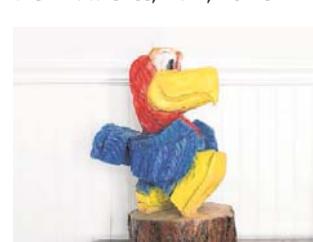
The Murfins—both alumni of the University of Kansas—bought and remodeled a circa-1940 Colonial home in Lawrence, across the street from the university's campus. From there, they can cheer on the Jayhawks.

"It's our game-day house, and we are so excited to have it—we go to all the football games, and probably three-fourths of the basketball games," said Ms. Murfin.

The couple, who live in Wichita, about 170 miles southwest of Lawrence, spent more than \$400,000 to buy and remodel their Lawrence, Kan., home.



**TEAM SPIRIT** Janet and Dave Murfin spent more than \$400,000 to buy and remodel their Lawrence, Kan., home.



getaway homes in seemingly unlikely spots: Lubbock, Texas; Spokane, Wash.; East Lansing, Mich.—or wherever there is a big university with a top-ranked team and rabid alumni.

"Just in the last five or six years, we've seen people buying places that, except for game times, are vacant," said Martha Bashore, a real-estate agent in East Lansing, home to Michigan State University. The Spartans are a dominant force in the NCAA—the basketball team has appeared in the Final Four nine times, bringing home two championships.

"Spartan spirit is just savage," Ms. Bashore said. "I'm working with a couple from Arizona—they want to come to as many games as they can. They are just waiting for a two-bedroom condominium to pop up in this particular building and they'll buy it, sight unseen."

The benefits of a game-day house go beyond basketball season, alumni say, citing university towns' vibrant lifestyle.

"It's like being in college without the pressure," said

Please turn to page M9

**INSIDE**



**\$85 MILLION**

Bronfman scion sells Bel-Air compound **M2**



**BIGGER, BETTER**

\$1.38 million to redo a London home **M3**



**SET THE STAGE**

Andrew Lloyd Webber's toy story **M12**

## MANSION

## PRIVATE PROPERTIES

## Bronfman Scion Sells Manse for \$85 Million



(CLOCKWISE FROM TOP) JIM BARTSCH (2); CITY REALTY; KENNETH CHEN/EVAN JOSEPH IMAGES; GAVIN BRODIN/BRODIN DESIGN BUILD (RENDERING)



The daughter of billionaire Seagram heir Charles Bronfman sold her Los Angeles estate for \$85 million on Thursday, according to sources familiar with the situation.

The 19,000-square-foot, minimalist-style mansion, designed by British architect John Pawson, sits on about 4.6 acres in L.A.'s Bel-Air neighborhood. There's also a roughly 6,600-square-foot, five-bedroom Paul Williams-designed guesthouse on an adjacent parcel, according to

people familiar with the property. The properties were never publicly listed for sale but quietly shopped around by real-estate agent Kurt Rappaport of Westside Estate Agency, sources said.

The design of the main house, built in 2009, resembles two cubes stacked on top of one another, with the top cantilevered over the lower level. It includes five bedrooms, eight bathrooms, a theater, a gym, a spa and a double-height dining room.

Three of the bedrooms have terraces; the master suite has a hot tub and a fire pit. A subterranean level includes staff quarters and a children's playroom.

The sellers are philanthropists Ellen Bronfman Hauptman and Andrew Hauptman, who are both 49. Together, the couple runs private-investment firm Andell Inc., a family office that manages investments in real estate, and private and public companies. Mr. Hauptman is the owner and chair-

man of Major League Soccer's Chicago Fire Soccer Club.

Ms. Hauptman's grandfather Samuel Bronfman was a Russian immigrant to Canada and started a small distillery that eventually merged with Seagram.

The couple bought the property in 2002 for about \$20.75 million, records show.

The identity of the buyer is not known. The Hauptmans didn't immediately respond to a request for comment.

—Katherine Clarke

## UNFINISHED PENTHOUSE IN WEST HOLLYWOOD SEEKS \$58 MILLION

A member of the highflying Metopoulos family is listing a West Hollywood, Calif., penthouse for \$58 million. For that, the new owner will get more than 7,000 square feet of raw space.

Owner Evan Metopoulos spent around \$30 million to buy the two penthouses—one in 2012 and the other in 2015—in the 32-story Sierra Towers condominium, according to public records. Mr. Metopoulos spent months demolishing interior walls to create one large open space, said Jade Mills of Coldwell Banker, who has the listing with Josh Greer of Hilton & Hyland. But the process of buying and combining the two units took longer than he expected, and when he got the chance to buy the former Danny Thomas estate, he



**FIXER UPPER** The West Hollywood, Calif., penthouse is currently raw space. Above, an artist's rendering depicts the unit's roughly 16-foot-high ceilings.

jumped at it, paying \$65 million for the Beverly Hills home last year, Ms. Mills said. The

roughly 2½-acre property has since "become his focus," Ms. Mills said.

Mr. Metopoulos is the son of Dean Metopoulos, the billionaire investor known for re-

viving consumer brands like Bumble Bee and Vlasic. Evan, in addition to purchasing the former Thomas estate, bought a South Florida estate for roughly \$59 million. Another son, Daren, famously bought the Playboy Mansion for \$100 million in 2016.

The brothers "love having the most iconic pieces of land," Ms. Mills said.

The Sierra Towers unit has roughly 16-foot ceilings, plus wraparound terraces totaling about 4,000 square feet. The asking price includes six private parking spaces plus two smaller units on the sixth floor that were originally staff quarters. Mr. Metopoulos sold another unit in the building in 2016 for \$4.65 million after buying it two years earlier for \$3.5 million.

—Candace Taylor



## VENTURE CAPITALIST BUYS MANHATTAN CONDO

Matt Cohler, a partner at Silicon Valley investment firm Benchmark Capital, is the buyer of a Tadao Ando-designed penthouse in Manhattan's Nolita neighborhood, according to two sources familiar with the transaction.

The duplex apartment, at 152 Elizabeth Street, went into contract in November in an off-market deal that hasn't yet closed. The asking price was \$35 million, though it wasn't clear if Mr. Cohler paid the full amount.

The unit, which was never publicly listed, comprises four bedrooms and 4½ bathrooms across 5,603 square feet, according to the listing. It features floor-to-ceiling windows, oak flooring and a glass-and-steel staircase. A humidification system helps to preserve artwork.

The seven-unit building is the first New York City project for Pritzker Prize-winning Mr. Ando.

Leonard Steinberg, Debra LaChance and Denise LaChance of Compass represented the developer, Summaida + Khurana, while Cameron Culver and Ryan Serhart of the Serhart Team represented Mr. Cohler. Mr. Culver and a spokeswoman for Compass declined to comment.

Mr. Cohler was an early employee of Facebook. He previously owned a nearby penthouse at 10 Bond Street, which he sold for \$13.75 million in 2016, records show. Mr. Cohler, who is in his early 40s, couldn't immediately be reached for comment.

—Katherine Clarke

## FORMER HEDGE-FUND EXEC LISTS AT \$39 MILLION

Former hedge-fund manager Philip Falcone and his wife, Lisa, are listing their Manhattan townhouse for \$39 million, a decade after buying an even bigger property just up the street.

The 24-foot-wide, five-story property is located on the Upper East Side and dates back to the late 1800s. It has about 13,300 square feet of interior space as well as 2,200 square feet of outdoor space, according to the listing.

Oak double doors lead into a limestone reception gallery with nearly 13-foot ceilings and a grand staircase. There is a formal dining room and a pan-

eled library with a wood-burning fireplace.

The master suite spans the entire fourth floor, and has a marble and mahogany-paneled bathroom and a 400-square-foot dressing room.

The Falcons bought the five-bedroom East 67th Street property for \$10.375 million in 2004, records show. They completely refurbished it, investing another \$6 million or \$7 million, Mr. Falcone said.

Adam Modlin of the Modlin Group and Sabrina Saltiel of Douglas Elliman share the listing.

The Falcons are selling because they are ready to move

into their new home, Mr. Falcone said. The couple bought Penthouse magazine founder Bob Guccione's double-width townhouse on the same street for \$49 million in 2008 and have invested millions in a multi-year renovation. They expanded the property to about 30,000 square feet, and added a pool and a movie theater below ground level, Mr. Falcone said.

Mr. Falcone, 55, a former high-yield bond trader on Wall Street, started his hedge fund Harbinger Capital in 2001. He is now chairman and CEO of H2 Holdings.

—Katherine Clarke



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Linda Faraldo, 516.674.2000 ext.122  
c.516.984.9049



Bayville, NY  
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Linda Faraldo, 516.674.2000 ext.122  
c.516.984.9049



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SD #3. MLS# 3004747. \$1,899,000.  
Maria Boccard, 855.888.1936



Manhasset, NY — New Construction  
SD #6. MLS# 2994855. \$4,850,000.  
Rosemary O'Neill, 516.627.4440 ext.180  
c.516.578.3099



Manhasset, NY  
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## EAST SIDE



**▲ THE ELINOR S. GIMBEL HOUSE** East 70s/Lex. 6 windows across 36' facade, over 6,000SF, w/ 2,200SF of outdoor including 36' garden. \$18.45M. WEB# 18086980. Paula Del Nunzio 212-906-9207

**RIVER DUPLEX** Beckman Place. 12 room w/ spectacular river views. 4BR, 4.5 bath, FDR, Lib, EIK, staff qtrs, office, wine cellar. 3 WBF. \$8.995M. WEB# 17976001. Jill Roosevelt 212-906-0593

**STUNNING FULL-FLOOR PENTHOUSE** Midtown East. Full floor turn-key PH Condo, 2 large terraces w/ iconic Manhattan views, eat-in kitchen, 4BR, 3.5 bath. \$8.45M. WEB# 18000102. Ginger C. Brokaw 212-906-0593. Wendy Maitland 212-452-6255

**HIGH FLOOR STUNNER W/ PARK VIEWS** Upper East Side. Co-Excl. Mint condition 2BR, 2.5 bath w/ CP views, WEIK, solarium & staff room. FS Co-op w/ gym & garage. No pets. \$4.995M. WEB# 17762140.

Daniella G. Schlisser 212-906-9348

Matthew D. Hughes 212-906-9351

**A COLLECTOR'S MASTERPIECE** Sutton Place. Fully renovated large hi-floor 6 room apt in top Sutton Pl bldg. Chef's kitchen. Separate staff room & bath. \$3.295M. WEB# 18057458. Armin B. Allen 212-396-5851



**▲ REDUCED \$2M FULL FLOOR PARK AVE CONDO** Park Avenue. Grand corner living room, 4BR, library, 6.5 baths. Triple mint, views, A + bldg. & location. \$15.9M. WEB# 17524011. Ghislaine Absy 212-906-9243

Julie Cummings Siff 212-906-9246

Douglas S. Russell 212-906-9247

**PARK AVENUE PERFECTION** Park Avenue. Triple mint. 5 rooms (2BR, 2 baths), FDR & LR face South. W/D, FS Co-op, gym, roof terrace. Pets OK. Move in condition. \$2.695M. WEB# 18003779.

Burt F. Savitsky 212-906-9337

Jessica L. Savitsky 212-906-9273

**HI FLR 3BR WITH VIEWS TO CPW** Upper East Side. Renovated 3BR, 3 bath with sprawling layout, chef's kitchen, W/D, wet bar, custom closets, moldings. Gym. \$2.495M. WEB# 17830836.

Harriet Maisel 212-317-7793

**PARK AVENUE GEM** Park Ave (73-74th). This prewar Co-op has 2 bedrooms, 1.5 baths, faces Park Ave, pied-a-terres allowed. \$1.85M. WEB# 18072468.

Judith Durham Smith 212-906-9311

**2BR, TERR, W/D, PETS OK** Upper East Side. High floor corner 2BR (conv. 3BR), 2 bath home with large terrace in the distinguished Bayard House. \$1.75M. WEB# 17958769.

Elaine Clayman 212-906-9353

Justine M. Bray 212-906-9253

## WEST SIDE



**▲ SPRAWLING FULL FLOOR CONDO** Upper West Side. 5BR + den, 4.5 bath. Very grand entertaining space & 2 balconies. FS Condo, gym & storage. \$7.995M. WEB# 17835021. Lisa K. Lippman 212-588-5606

Gerard "Scott" Moore 212-588-5608

**HIGH ABOVE CENTRAL PARK** CPW/W. 60's. Amazing views in all directions from this immaculately renovated 4,400SF home in top full service Condominium building. \$30M. WEB# 17423065. John Burger 212-906-9274

**APTHORP PERFECTION** UWS. Old World Grandeur with 21st Century convenience. Impeccably renovated 6,110SF, 5BRs, 6.5 bath. Must see. \$16.5M. WEB# 16839022.

Felise G. Gross 212-588-5681

Diane S. Abrams 212-588-5605



**▲ GUT RENOVATED 2BR CONDO** Upper West Side. Five-room, 2BR, 2.5 bath prewar Condo recently gut renovated. Includes storage. \$1.5M. WEB# 17986988. Scott Harris 212-317-3674

**TOP FLOOR CORNER UNIT** Hell's Kitchen. Incredibly bright 2 bedroom, 2 bath Condo with low carrying charges and real estate taxes. \$1.195M. WEB# 17934319. Nada Rizk 212-317-7705

Joanne Greene 212-906-9341

**1BR IN TOP NOTCH CO-OP** WEA/RSD. Gracious and sunny 1BR, 1 bath in desirable RSD prewar Co-op. Peek of the river. \$840K. WEB# 17935710.

Jennifer H. Cooke 212-588-5684

Lynn Sullivan 212-588-5604

**VIEWS-LIGHT-LOCATION** Upper West Side. Rare Jumbo Studio has river views and great location. Close to Riverside Park and Lincoln Center. \$550K. WEB# 18019205.

Keith A. Prince 212-588-5627

## DOWNTOWN



**▲ MAGNIFICENT PH WITH 3 TERRACES** West 20th. 5BR, 4.5 bath renovated PH w/ apprx 4,912 interior SF & 1,700SF of terraces. LR with 22' ceilings. \$6.999M. WEB# 18024640. David E. Kornmeier 212-588-5642

Nicole Palermo 212-452-6252

**BRAND NEW, 26' WIDE TOWNHOUSE** Chelsea. Brand new, 7 levels, 20' x 20' skylit inground pool. Elevator, 7BR, 7 bath, 4 outdoor spaces. \$19.995M. WEB# 17459775. Rachel A. Glazer 212-317-3661

Douglas Bellitto 212-906-0542

**UNSTOPPABLE VIEWS N,S,E & W** Flatiron/Madison Sq. Panoramic midtown & downtown skylines, 3BR, 3 bath, high floor, new construction, top amenities. \$8.9M. WEB# 17742845. Russell K. Miller 212-906-9360



**▲ 2-3BR CONDO COMBO** West Village. Put these 2 adjacent apts together for a 1,300SF+ 2-3BR. N/S/W expos, elevator bldg w/ low CC/RET. \$2.35M. WEB# 18099153. Rudi Hanja 212-317-3675

Siuim M. Hanja 212-317-3670

**E. VILLAGE 4 UNIT HOUSE** Avenue B/Avenue C. New construction, 4-unit, 5-story townhouse. Garden and penthouse duplexes + 2 floor-thrus. \$6.495M. WEB# 15460412. Wolf Jakubowski 212-588-5630

Jennifer H. Cooke 212-588-5684

**HUGE SOPHISTICATED LOFT** Chelsea. Rare offering, bright, 4 exp, flexible- 7rm, full-floor apt w/ great room, Lib, FDR, EIK, LR, 2BRs, 2 baths. \$4.4M. WEB# 17353438. Armin B. Allen 212-396-5851

Kathryn Steinberg 212-396-5868

**DUPLEX DESIGNER PH** Meatpacking. Condo, 1,850SF interior, 2BR (cvt 3), 3.5 bath & 680SF terrace lover's dream. Designer detail perfection. \$3.75M. WEB# 18001447.

Paul Anand 212-452-6275

Maren Faiella 212-452-4462

## BROOKLYN



**▲ TURN-KEY CLASSIC TOWNHOUSE** Carroll Gardens. Mint condition 3 story + rec room, 1-family. Flooded w/ light, south garden, custom renovation, top-of-the-line finishes. \$4.5M. WEB# 18088273. Jill Seligson Braver 718-858-5905

**EXTRA WIDE FEDERAL ERA TOWNHOUSE** Brooklyn Heights. Elegantly proportioned 5-story, 3-family. Double duplex + garden medical office. Easy conv to single family. \$7M. WEB# 17987570.

Jill Seligson Braver 718-858-5905

**25' MIXED USE ESTATE SALE** Williamsburg. Ground floor and basement setup for full restaurant + 2 large vacant floor through apartments above. \$6.995M. WEB# 17955582. Sal "Cappi" Capozucca 718-399-4103

Rosalie Weider 718-399-4115

Alex Weider 718-399-4104

**1903 ROMANESQUE REVIVAL** Park Slope. 2 unit brownstone w/ original stained glass, built-ins, parquet floors, dressing rooms, mantels and coffered ceiling on grand park block in Center Slope. \$3.5M. WEB# 18102637.

Rosalie Weider 718-399-4115

Terry Naini 212-452-6267

**SPECTACULAR 4 BEDROOM LOFT** Brooklyn Heights. Parking, 20'+ ceilings, best appliances, AC, great light, built-ins, closets, floors, excellent condition. \$2.75M. WEB# 17815150.

Kenneth Mandelbaum 718-613-2787

Jeffrey Mandelbaum 718-613-2728

**STUNNING LOFT W/ 12' CEILINGS** Downtown Brooklyn. 2 bedroom + office, 2 bath, FS Condo with 12' ceilings, custom kitchen and banquette with storage. \$1.4M. WEB# 18092653.

Terry Naini 212-452-6267

**SPACIOUS 1BR OVERLOOKING PARK** Sunset Park. Sunlit corner unit, approx 630SF. Original parquet floors. Private storage, laundry & more. \$440K. WEB# 17718926. Victoria Capozucca 718-399-4164

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## MANSION

## BALANCE SHEET

# A Family Home With a Sweet Side

Expats in London spent \$1 million-plus on a renovation to create room for five and accommodate a gourmet cookie-dough business; American conveniences include air conditioning and ample closet space

BY RUTH BLOOMFIELD

**WITH THREE NEARLY** grown children, Kathryn and Dan Bricken needed a home that could perform double service—as both a family home and an efficient base for a busy working couple.

The American expats created just such a property in their adopted city of London by buying a modest Edwardian house and then spending more than \$1 million to enlarge and remodel it.

Mr. Bricken, 49, a banker, is from Bend, Ore.; Mrs. Bricken, 50, hails from Miami. They moved to Britain a decade ago with their twins, Grace and Trenton, both now 20 and attending college in the U.S., and Alexander, 18 and in high school in the U.K.

After six years of renting, they decided to put down roots and buy a home. It was 2014, and central London's property market was flying high—one reason they decided to buy was a fear that if they didn't act quickly, they might be priced out.

"We thought that prices were going to go up forever," said Mrs. Bricken.

In fact, the year they paid £1.95 million (\$2.69 million) for their four-bedroom, 2,200-square-foot terraced house in the west London suburb of Fulham was the market's high point.

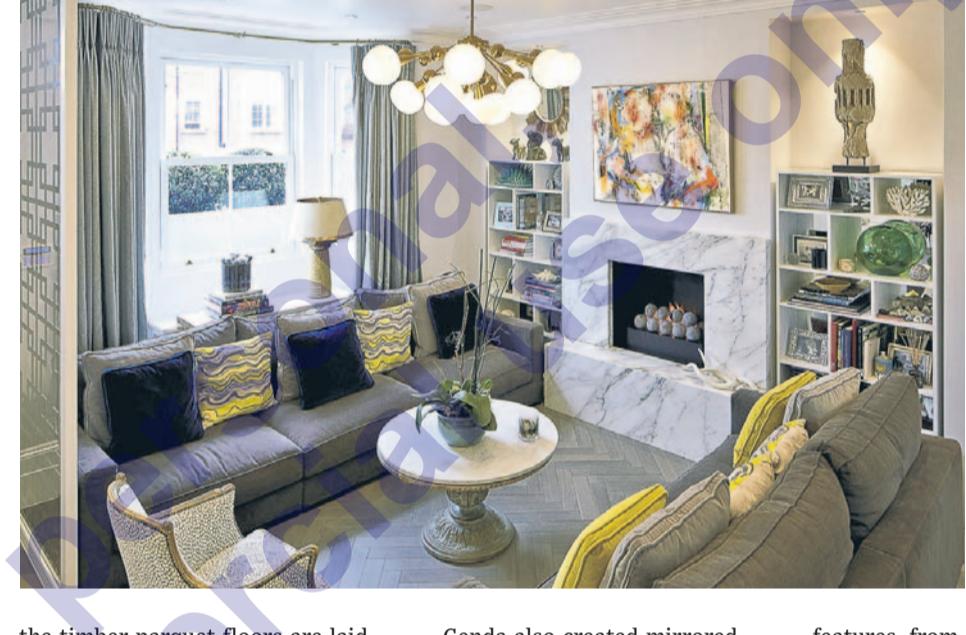
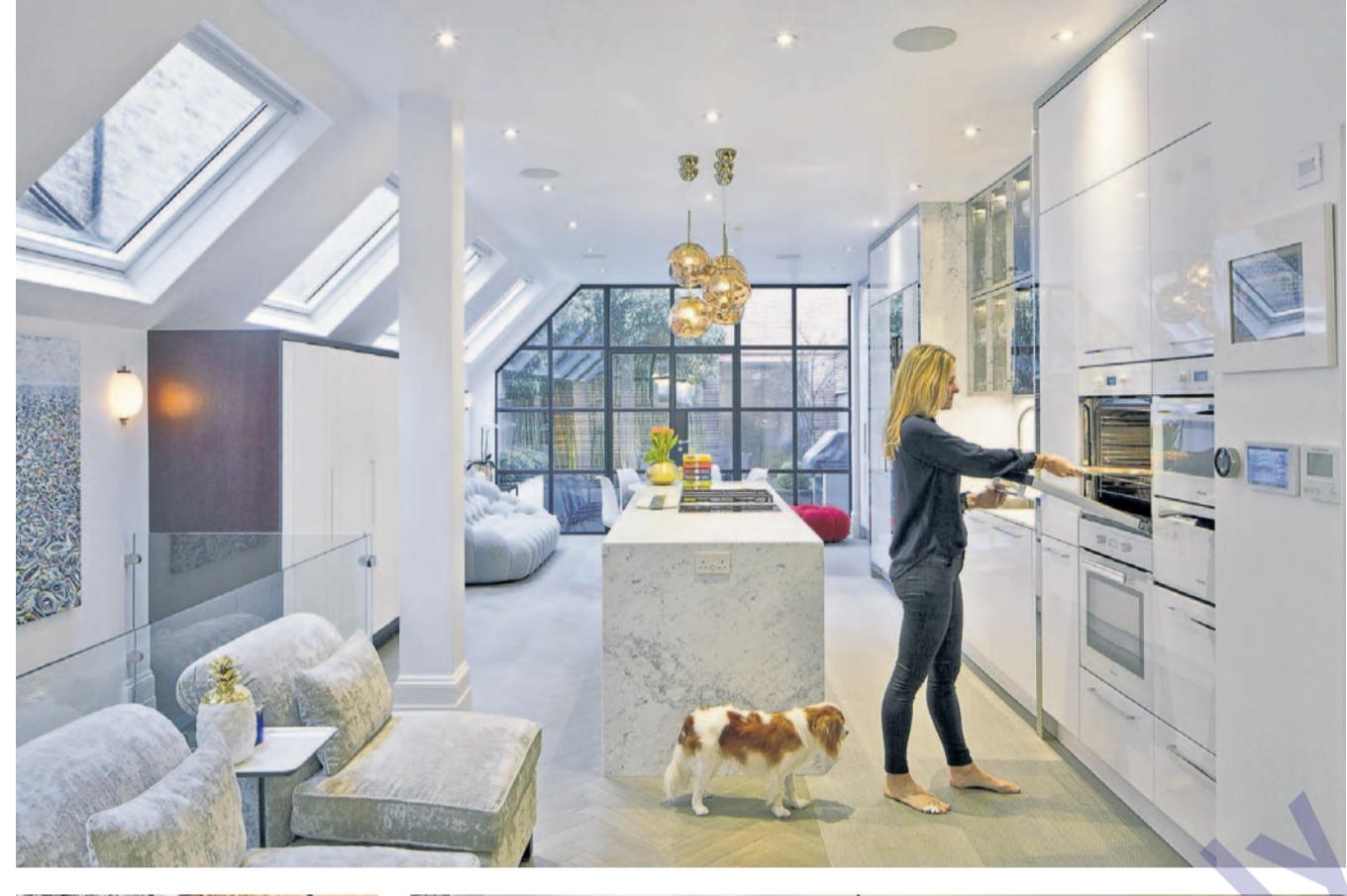
As prime central London prices began to fall—by about 9% between 2015 and 2018 according to Knight Frank—they set about extending the house to more than 3,300 square feet with the addition of a basement.

And even in a falling market, their roughly \$1.38 million project has increased in value to an estimated \$4 million to \$4.8 million.

The couple, experienced renovators, had never tackled the British system before. One of the biggest challenges they faced, they say, was persuading neighbors to sign legal agreements designed to safeguard them from potential damage. They put £85,000 into escrow to cover any damages, although they ended up needing just about \$2,000 to repair cracks to one neighbor's walls.

Building work began in October 2014, and the family—which now includes Kevin, their two-year-old Cavalier King Charles spaniel—was able to move in by September 2015, although construction continued until the end of that year.

"We make a good team," said Mr. Bricken. "I focus on the layout and the wiring and systems, and



DYLAN THOMAS FOR THE WALL STREET JOURNAL (3)

**AT HOME, ABROAD** Americans Dan and Kathryn Bricken, shown with their dog, Kevin, paid about \$2.69 million for their four-bedroom, 2,200-square-foot house in the west London suburb of Fulham and invested another \$1.38 million to enlarge and remodel it.

Kathryn does all of the design-related stuff."

For Mrs. Bricken, the most important room was the kitchen. While helping to manage the renovation, she was also setting up her own gourmet cookie-dough company.

She wanted a room that was light and airy, so they lowered the floor to give the room higher ceilings. They also installed two full-height sets of metal-framed windows by heritage brand Crittall.

The palette of materials is simple and crisp: Cabinets are white gloss with stainless-steel details,

the timber parquet floors are laid out in a herringbone pattern, and the worktops are white Carrara marble. A cluster of Tom Dixon "Melt" pendant lights in copper above the kitchen island is rivaled in the living room by a bespoke brass-and-glass chandelier Mrs. Bricken had made in Italy.

To make the house as convenient and user-friendly as possible, the couple hired furniture maker Barbara Genda Bespoke Furniture to build much of their storage, from a wine cellar in the basement to a kitchen cabinet-turned-workstation.

Genda also created mirrored closets for the master bedroom and bookcases for the study and the game room in the basement.

Throughout the house, family photographs and art the couple has collected for years decorate the walls. A mahogany chest Mr. Bricken inherited has been upcycled with black lacquer and brass handles; it now serves as a glamorous drinks cabinet.

Although the Brickens have spent enough time in Britain to call a backsplash a splashback and a faucet a tap, they have also imported some distinctly American

features, from air conditioning—a rarity in London—to space for a double-door refrigerator. The home has extensive closet space, as opposed to the freestanding wardrobes into which most Brits cram their clothes.

"These are just little things that individually, of course, you can live with, but when you add them up become important," said Mr. Bricken. "Part of the reason we wanted a house we could work on was because we didn't think we would find one that already ticked all of our boxes, or if we did it would be way too expensive."

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## MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

## FOR HOME BUYERS, SECRECY = PRIVACY

Limited-liability companies with cryptic names help conceal the identities of purchasers, but some states require disclosure



In the age of the internet, privacy is an especially valuable commodity.

To that end, many home buyers and real-estate investors form limited-liability companies with cryptic names when purchasing property. This appeals to the publicity shy, but LLCs also help homeowners avoid scams, identity theft and frivolous lawsuits.

LLCs have long been popular. In Florida, for example, two-thirds (66.6%) of all new business entities formed in 2017 were domestic LLCs, according to the Florida Department of State. But because the Tax Cuts and Jobs Act, in effect since Jan. 1, provides favorable tax treatment to so-called pass-through business entities such as partnerships, S corporations and LLCs, the use of LLCs is expected to explode.

Investors like Scott Wood use LLCs to take title to their real-estate holdings. Mr. Wood, an employee-benefits consultant from Scottsdale, Ariz., sold an insurance business in 2006 for "eight figures" and invested the proceeds in commercial and residential real estate. Each property was purchased in the name of a separate LLC he set up for that purpose.

"My main objective was to be able to safely invest funds and have my assets protected," he says. "Real estate comes with various unknown risks, and I didn't want to do it in my own name so people



CHRIS GASH

were able to monitor and track what I was investing in. An LLC is simple, easy, inexpensive and protective."

LLCs are relatively easy to set up, but specific requirements vary by state.

In Delaware, for example—a state popular for business formations of all types—the state Division of Corporations offers a downloadable form that asks the name of the LLC, as well as the name and address of a registered agent in Delaware. A Delaware LLC must pay \$300 in annual taxes.

Although Delaware is among the states that maintain the confidentiality of an LLC's members, other states require disclosure. In those states, even if a property is purchased under an LLC, it may be possible to discover the names of the true owners of the property.

But while the majority of LLC owners are law-abiding citizens, LLCs can also provide anonymity to embezzlers, drug traffickers, money launderers, tax evaders, those seeking to skirt campaign-finance laws and

others who wish to hide or obscure illicit funds.

State Sen. Brad Hoylman, a Democrat from New York City, is drafting legislation that would require that LLCs organized or authorized to do business in New York publicly disclose a list of their beneficial owners.

"In New York, we have very archaic laws around LLCs, which is a great concern," he says. "In many cases, tenants don't know who their landlord is. On a larger level, New Yorkers don't know who is behind

many, if not most, of these LLCs—and unlike other corporate entities, even the New York Department of State does not know."

But some investors say that increased disclosure requirements would have a chilling effect on their use of LLCs. "I would probably do a lot less investing in real estate if I couldn't have the title held in an LLC," Mr. Wood says.

Paul M. Fann, a Scottsdale-based accountant who regularly works with real-estate investors to set up LLCs,

is concerned that efforts to crack down on LLCs and require disclosure of owners would be bad for business.

"It makes for great public discourse, but it makes no sense for economics and for investing," he says. "There are fabulous reasons to use an LLC, and states that want our business will not want to alienate investors by requiring openness and more disclosure."

Here are some things to consider if you're thinking of using an LLC to hold title to real estate:

- Consult with tax and legal advisers.** Every state has different requirements for forming an LLC, and the financial considerations and tax implications vary. Ask about administrative costs, which may be higher than those of a sole proprietorship or limited partnership.

- Consider sources of financing.** Many real-estate transactions involving LLCs are cash deals, Mr. Fann says. Conventional financing may not be available for an LLC, although a portfolio lender may provide financing. Many investors use commercial financing or lines of credit.

- Separate identities.** Members of LLCs typically aren't personally responsible for the business debts and liabilities of the company. That protects members' homes and other personal assets from creditors. To maintain this separation, members must keep funds, records and meeting minutes completely separate from personal accounts and comply with all formalities required by the state.



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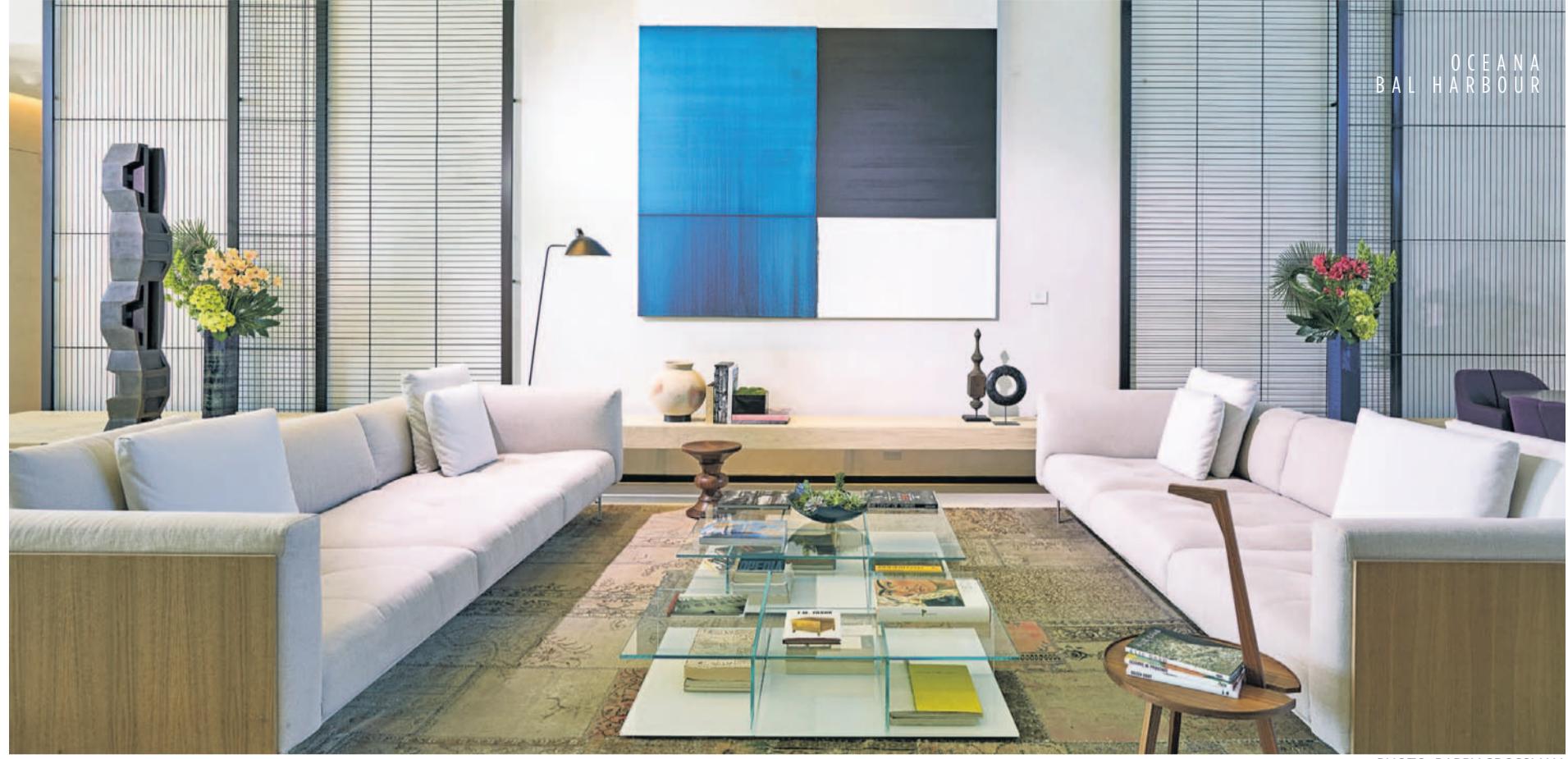


PHOTO: BARRY GROSSMAN

# MIAMI'S RIGHT-SIZED MARKET

**L**ife is good for 31-year-old Gabriel Britti. The upstate New York native left home to attend the University of Miami in 2004 and never looked back. "I love it down here," he says.

Britti is bullish on all things Miami — the weather, the water, the lifestyle and the state of the luxury real estate market. Two years ago, he went into contract to construct a \$1.36 million townhome in an exclusive Miami Beach neighborhood. He was one of the first to close and move in last year.

"I did my due diligence. If you look at the area historically, sales haven't dipped very much," he says.

After a post-recession boom period, Greater Miami real estate is in the midst of what some are calling a right-sizing of the market and a return to stability. While feeder economies for the region, most notably South and Central America, have weakened, there's no global distress, points out Anthony M. Graziano, senior managing director for the Miami region for Integra Realty Resources (IRR), an independent real estate appraisal firm.

"We're certainly in a transition. The number of buyers is down since 2014, but we're still in a healthy

position in terms of diversity of units and diversity of luxury product in the market," Graziano says. A number of beachfront condominium developments are starting to deliver now, which is creating opportunities for unsold units. "For people looking to get out on the beach, now is a good time to be buying."

New developments are moving through the construction process on stronger financial grounds than in years past. Prior to the economic meltdown of 2008, condominium buyers were typically required to make a down payment of 10 percent or 20 percent prior to closing. When the recession hit hard, buyers got cold feet in large numbers. They walked away from their modest deposits, leaving some developers without the financial resources to continue on toward completion.

The paradigm has changed. Now hefty down payments are the norm, which discourages speculators and flippers. Many developers insist on 50 percent down from buyers, payable in installments as

*Continued on M6*



OCEANA  
BAL HARBOUR

Completed in January 2017, this masterful 240-unit luxury condominium by Argentinian art mogul and real estate developer Eduardo Costantini pays homage to its museum-worthy art collection. The collection on view in the residence's palatial lobbies is composed of masterworks by internationally acclaimed contemporary artists Jeff Koons, Callum Innes, An Te Liu, Jorge Méndez Blake, Taryn Simon, Juan Uslé and Garth Weiser. Unprecedented, the entire multimillion-dollar collection — shared assets of the residents of Oceana Bal Harbour — is composed of abstract, conceptual and site-specific commissioned pieces in different art forms. "Art transforms, surrounds and educates a community, very much like museums do, and homeowners end up loving home more because of its ability to move them and enhance their quality of life," Costantini says.

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*The Wall Street Journal news organization was not involved in the creation of this content.*



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Ballerina (Seated) – Jeff Koons

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For more information, contact [laclara.sales@greatgulf.com](mailto:laclara.sales@greatgulf.com)

LA

CLARA

**72%** OF FOREIGN BUYERS PURCHASED LUXURY PROPERTIES IN MIAMI IN CASH

SOURCE: 2017 Profile of International Residential Real Estate Activity in Florida



Continued from M5

specific construction milestones are met. The model ensures solvency by giving builders the equity needed to complete their projects. Lenders are happier, too. International buyers, particularly those in the luxury market used to all-cash transactions, haven't been scared off. And many cash-rich domestic buyers acknowledge a certain peace of mind in knowing they're buying into a building or community that's not overleveraged.

Christopher Zoller, chairman of the board of directors for the MIAMI

Association of Realtors, a 46,000-member trade association, is buoyed by recent numbers. "We're coming back from a period where we had a lot of inventory, and suddenly in June 2017, we closed about 7.1 percent more in million-dollar-and-up houses than in the same period last year. That was the fourth consecutive month we've had an increase in luxury sales, so we're eating into our inventory and continuing to increase the number of buyers in the luxury market," he says. Condominium sales were up even higher at 8.7 percent.

"A year ago, there was a depression of the currencies of South America and a lot of upheaval in the fall about where America was heading and what was happening politically," Zoller says. "I think those concerns have gone away. The performance of the stock market has been a great help to people, lifting the spirits of everyone, including our locals."

Venezuelans, Brazilians and Argentines continue to make up a significant segment of the Miami luxury market. On the whole, foreign buyers purchased more expensive properties than their American counterparts, and the vast majority pay in cash — 72 percent, according to a report released in 2017 on international homebuyers conducted for the MIAMI Association of Realtors.

"We're basically the best bargain for world-class properties," Zoller says, pointing out that condominiums in global cities like New York, London and Hong Kong are as much as two to three times the price of comparably sized and located units in Miami.

Miami is a hemispheric power and not just for its strategic location. Multilingual, multicultural Miami-Dade County has more than 1,100 multinational companies headquartered in the area.

The luxury market is active of late with domestic buyers, both "move-ins" coming into the Greater Miami region at the executive level from other parts of the country, and "move-arounds," who are transitioning from large single-family residences in the area to resort-style condominiums and turnkey new builds.

New construction had particular appeal to Gabriel Britti. "I don't have very much time outside of work to focus on renovating a home. I needed something turnkey that I could just walk into and turn on the lights."

Britti's townhome is a four-story, three-bedroom corner unit overlooking Biscayne Bay. Among the amenities are an elevator, a 600-square-foot rooftop terrace equipped with a summer kitchen and a private slip to accommodate his 32-foot boat. "When we're not on the terrace, we're usually on the boat or paddleboarding in our backyard, so to speak," says the newly married Britti.

As the property market ratchets up

the perks, enticements for the high-net-worth buyer keep pace. Boating facilities have been redeveloped with deep-water slips to accommodate more super-yachts. Miami's culinary scene continues to innovate, and its shopping scene, long a magnet for the well-heeled, continues to expand. Upscale favorites like Bal Harbour and the Aventura Mall are now joined by the mushrooming Miami Design District, an 18-block neighborhood that has become a destination for luxe fashion, dining, galleries and public art. Miami is also where many award-winning architects come to leave their mark on the skyline and streetscape.

"The aggregation of wealth that exists here perpetuates itself," Graziano says. "The city is developing a strong identity as a market that can cater to discerning individuals. We've got a lot of the ingredients that appeal to people who spend six-plus months in a particular locale and want to enjoy themselves."

The launch of Art Basel Miami Beach in 2002 was a significant step in thrusting the region on to the international art stage. It's also a city of ballet, theater

and music. In a highly anticipated move, the Frost Museum of Science opened the doors of its new home in May 2017 in Downtown Miami's Museum Park, contributing to a civic vision of a major cultural hub and adding to the wealth of offerings that has elevated the Miami brand. More than \$5 billion in new development and infrastructure projects are in the works in the coming years — including Brightline, the intercity rail system. Expected to begin later this year, service from Downtown Miami will take 30 minutes to Fort Lauderdale and about

an hour to West Palm Beach, with an eventual link to Orlando. The project will add to the region's diversified economic base.

For Britti, the abundance that Miami offers is an elixir. While he touts the culture, the festivals and the "nonstop entertainment choices," he says there's nothing better than a day spent on his boat with friends, anchoring on a sandbar and taking a dip in the ocean before returning for a barbecue on the terrace. "I'm never bored here. There's just so much to do. If you enjoy an active lifestyle, Miami is one of the best cities to live in."



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## LEARNING CURVE

**A thirst for knowledge buoys new avenues of continuing education for Florida residents**



**I**t's a sunny afternoon on the campus of Academy East, State College of Florida, Lakewood Ranch, and a lively conversation has broken out between a group of unconventional students. The group is excitedly dissecting pivotal movie scenes directed by an award-winning filmmaker, bouncing theories and observations off of one another. But unlike your typical film students, these pupils aren't jockeying for the instructor's attention. Instead, they're here for the academic stimulation and camaraderie of like-minded folks. No grades required (or offered).

This film class is just one of many lifelong learning opportunities offered to residents of Florida's Gulf Coast. Sarasota in particular has a robust continuing education community, with courses, lectures and even academic adventures at the ready for locals yearning to take their education beyond the baccalaureate years. Available on prominent collegiate campuses and through nonprofit organizations, chances are if something has piqued one's curiosity, there's a class for that.

"Sarasota attracts people who want a retirement that is rich in experiences but not located in a large metropolitan area like Miami or Tampa," explains Janna Overstreet, the executive director for the Osher Lifelong Learning Institute (OLLI) at Ringling College. "Lifelong learning, along with our vibrant art, theater, music, galleries and beautiful beaches, provides all the resources you would find in the most popular metropolitan areas in a small city setting."

Overstreet has seen a significant increase in enrollment since she began working with the Lifelong Learning Academy, a nonprofit educational organization, in 1997. They partnered with Ringling College in 2016 and most recently were designated an OLLI. What began as a grassroots organization of 50 people who taught one another turned into a program that serves 4,000 students annually.

"One thing we always hear from our students is that they appreciate having a place where they can be around like-minded individuals who place a premium on education," Overstreet says. "They also appreciate instructors who take the time for post-class discussions. We have programs like Einstein's Circle and our lecture series that give our

students — and the public — opportunities to hear local and nationally known experts on a variety of subjects."

Not merely for retirees, these types of programs offer courses for career-minded individuals working to advance in their chosen field or pick up skills that may help them transition to a different one.

"Today's lifelong learners are interested in IT-related training and ways to improve their computer skills for work and personal use," says Jamie Smith, communications and marketing director at State College of Florida, Manatee-Sarasota (SCF). "We have an increased interest in second language programs, such as conversational Spanish and Italian. The college opened SCF's Bradenton Symphony Orchestra to community members last year and has had tremendous response. We listen to the community, and our offerings change with demand."

When designing its new library and learning center, Smith says SCF kept students from all walks of life in mind to ensure an inviting space for every type of learner.

"SCF partners with the business community, service organizations and other nonprofits to find out what lifelong learning opportunities would be beneficial to keeping our area vital," she says. "Our mission is to boldly engage our entire community."

Similarly, OLLI takes cues from its student body and instructors to enhance its course schedule to fit their growing interests and needs.

"Our Curriculum Committee is comprised of 14 student-volunteers who serve as Topic Area Chairs," Overstreet says. "They review every proposal, resume and course syllabus and interview potential instructors. They also attend the instructor's first course to offer both assistance and feedback."

Based on the OLLI's loyal following, this approach appears to be working. Overstreet says many courses are full or half-full on the first day of registration, with students staying up until the stroke of midnight to snag a highly coveted class.

"As we like to say, lifelong learning is a great way to engage in 'learning for the pure joy of learning' and to develop new friends in a new place," she explains. "That is the crux of why this type of educational offering is so popular. Some students also engage in courses to enhance their skills or expand their business as a creative."

Without the pressure of exams and grades, students find a freedom in exploring topics of interest that may have previously felt intimidating. In these zero-stress classrooms, learning becomes a sought-after challenge as opposed to a mandatory task.

"The beauty of lifelong learning is that students can choose to be as engaged as they wish to be," Overstreet says. "We offer courses five days a week in three different locations. We provide a service that we believe enhances the quality of life for older adults and enables them to keep pushing themselves mentally and creatively."

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**Above and right:**  
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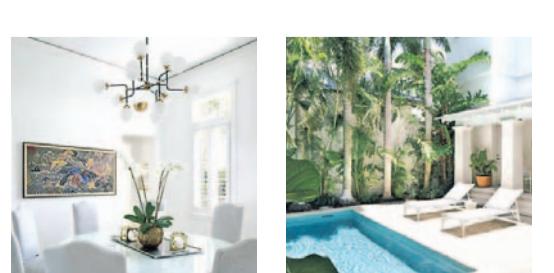
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**THE TIES THAT GRIND****Family roasters infuse diversity into Miami coffee culture**

**W**alk through the doorway of the flagship Panther Coffee shop in the Wynwood neighborhood of Miami, and its interior contrasts sharply with the vibrantly painted murals and street art adorning surrounding buildings. Reclaimed pine covers the ceilings and walls, intensifying the warm glow of the amber lighting. An eclectic music mix — jazz, reggae, hip-hop and indie/alternative — punctuates the grinding of coffee and customer chatter. But what is most striking is the intense aroma: the toasty caramelization of coffee beans. “It’s like baking sugar cookies,” says Joel Pollock, who, together with his wife Leticia, co-founded Panther Coffee in 2010.

For the husband-wife duo, the decision to open a coffee roasting company in Miami was influenced by the city’s limited coffee culture, which they encountered when vacationing there in 2009. “There was a really cool Latin coffee scene but a lack of specialty coffee roasters,” Joel remembers. With its diverse, international citizenry, the city stood out as a coffee frontier.

With cafes in the Wynwood, Sunset Harbour and Coconut Grove neighborhoods, and most recently, MiMo and Little Haiti, Panther Coffee is among the specialty roasters breaking new ground in a city known for its predominantly dark, sugary-sweet Cuban coffee.

“All over the country, people are thinking about coffee as a special indulgence — and that naturally leads people to explore more interesting flavors and different preparations,” says Peter Giuliano of the Specialty Coffee Association of America, who credits the popularity of specialty coffees to a surge in small-batch roasters.

At Panther Coffee, part of the sensory experience includes watching the 1927 Probat Perfekt roast 10-kilo batches of coffee. The roaster is preheated for one hour to roughly 400 degrees Fahrenheit, before a roaster drops in 22 pounds of green coffee beans. Inside, the beans roast until they crack, popping as the sugar caramelizes and releasing a rich aroma. Finally, the roasted coffee is dropped onto a cooling tray with rotating arms to cool it quickly.

Whether sweet and floral or chocolatey and nutty, the aromatic flavors of the coffees are as diverse as their origins. The beans are sourced from coffee farms in Brazil, Nicaragua, Colombia, Bolivia and El Salvador, as well as Ethiopia, Tanzania and Rwanda. “We keep it really diverse in terms of flavor, personality of the coffee and the stories behind them,” says Joel, who oversees the wholesale arm, while Leticia — who grew up in Brazil — runs retail.

The journey from farm to cup often starts on high-altitude hillsides, where coffee trees grow for years before bearing cherries ready for harvest. Finca Los Congos, a coffee farm tucked into the mountains of Nicaragua amid lush vegetation, sits approximately 4,400 to 5,500 feet above sea level. The cooler temperatures are optimal for coffee growing because they slow the maturation of the plant’s berries. “It’s a longer

process, so the bean receives more nutrients, leading to a much more flavorful fruit,” explains Daniel Choiseul Paguaga, whose family owns the farm.

As the founder and co-owner of Miami’s Relentless Roasters, Paguaga is the fourth generation to be immersed in Nicaraguan coffee. His great-grandmother owned coffee farms in Nicaragua and purchased a small farm for Paguaga’s grandfather, Rene Sr., in Ocotal in the Nueva Segovia region. One farm turned into several farms, one of which included a processing mill, Paguaga says, before his grandfather lost everything during the revolution. Undeterred, Rene Sr. eventually started over, reclaiming the Beneficio de Santa Lucila mill and purchasing Finca Los Congos in 1997. The family of farms has since grown, with Paguaga’s grandfather and uncle running ground operations and his aunt handling green coffee distribution. “Coffee’s in my blood,” Paguaga says.

Heritage and passion also fueled the creation of Relentless Roasters. Started in 2013, the specialty roaster calls a Miami warehouse home, roasting small batches and hosting tastings for an exclusively wholesale clientele. While beans are mostly sourced from the family’s farms in Nicaragua, current offerings also include those from distant lands, such as Burundi and Sumatra. The coffees span the flavor spectrum — from the mellow, tangy and chocolatey sweetness of the Bourbon to the bolder, low body and citrusy Caturra.

At Brewing Buddha coffeehouse in Pinecrest — formed by brothers Cassidy and Jordan Athos — Relentless Roasters’ Nicaraguan beans are popular for espresso. Cassidy, a craft barista, describes the flavor as nutty with a mellow body and a fruit-forward finish, similar to the taste of a citrus peel: “It’s much different than your average espresso, which is usually dark roasted and very bitter. This is very light on the palate, with a pleasant acidic finish.”

As the specialty coffee culture in Miami continues to evolve, so will Relentless Roasters. In the coming months, Paguaga plans to launch a reserve line devoted to his family’s coffee — another nod to his grandfather, who is in his 90s and still treks to the mill in Ocotal. Says Paguaga: “He is the epitome of a relentless man. It runs in the family.”



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LIONHEART CAPITAL

## MANSION

## COLLEGE ALUMNI BUY GAME-DAY HOMES

*Continued from page M1*

Ms. Murfin, who painted the opening words of KU's alma mater—*Far above the golden valley...*—over her front door.

Spotting an untapped market, developers have begun targeting well-heeled alumni. Splinter Creek, a new lakefront community with homes priced from \$850,000 to

**Spotting an untapped market, real-estate developers have begun targeting well-heeled alumni.**

\$1.5 million outside Oxford, Miss., has pursued graduates of nearby University of Mississippi with full-page ads in its alumni magazine and launch parties timed to coincide with big home football games.

Dale and Cheryl Swinburn, who own a commercial farm in Tula, Texas, considered buying a vacation home in New Mexico before deciding to build a brick townhouse in Lubbock—home to Texas Tech and its Red Raiders basketball team.

"We see all the home football games and all the basketball games—it's a rarity that we miss one in Lubbock," said Mr. Swinburn, class of 1965.

The Swinburns' 2,500-square-foot house, which they built and furnished for about \$400,000 in 2008, has a Red Raider room (scarlet walls, black leather couch) and an enviable location less than a mile from the stadium.

Mark Blaufuss, who graduated from Michigan State in 1990, has had season tickets for football and basketball for years, but struggled to nab hotel rooms in the college town.

"I knew the exact day the Marriott would open up a room for reservations for each football game," said Mr. Blaufuss, a mergers and acquisitions consultant.



**SEEING RED** Dale and Cheryl Swinburn, top right, spent about \$400,000 to build and furnish a brick townhouse in Lubbock, Texas, home of Texas Tech University. Above, the couple's Red Raider room features team colors and memorabilia.

Although he lives about 75 miles away in Plymouth, Mich., he says he prefers not to drive home after games.

"There could be inclement weather," he said. "Beer—that adds another layer to it."

leather bar stools, were thrown in with the purchase. They decorated their man cave in Michigan State colors—green and white—with a pair of 55-inch television screens, a Kegerator and a patio barbecue for pre-tailgate parties.

zaga's board of trustees and whose daughter is currently enrolled as a junior. "Now, I'm a major NCAA basketball fan."

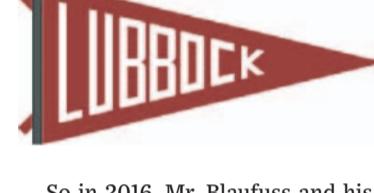
Last April—just days after Gonzaga's men's basketball team lost the national championship game



AMY MIKLER FOR THE WALL STREET JOURNAL (3); ILLUSTRATIONS BY ANDREW JANIK

the nickname for Gonzaga grads. "When we go back to Spokane, we feel so welcomed in by the Gonzaga family."

The renovation will be completed next fall; the bigger challenge is finding a seat in the Ken-



So in 2016, Mr. Blaufuss and his friend and fellow alum, Mike McNamara, who lives about 90 miles away in Rochester Hills, bought a two-bedroom condominium for \$230,000; many of the previous owner's Spartan-themed furnishings, including logo-embossed

Kris Snow, president of Cisco Capital at Cisco Systems, who lives in the San Francisco Bay area, didn't attend a single game when she was a student at Gonzaga University's School of Engineering.

"I was studying all the time," said Ms. Snow, who is on Gon-

za's board of trustees and whose daughter is currently enrolled as a junior. "Now, I'm a major NCAA basketball fan."

Last April—just days after Gon-

za's basketball stadium—to watch her beloved Bulldogs play. There is a long wait list for season tickets.

"We beg, we borrow," Ms. Snow said. "Even for those who are as committed as we are, tickets are hard to find."

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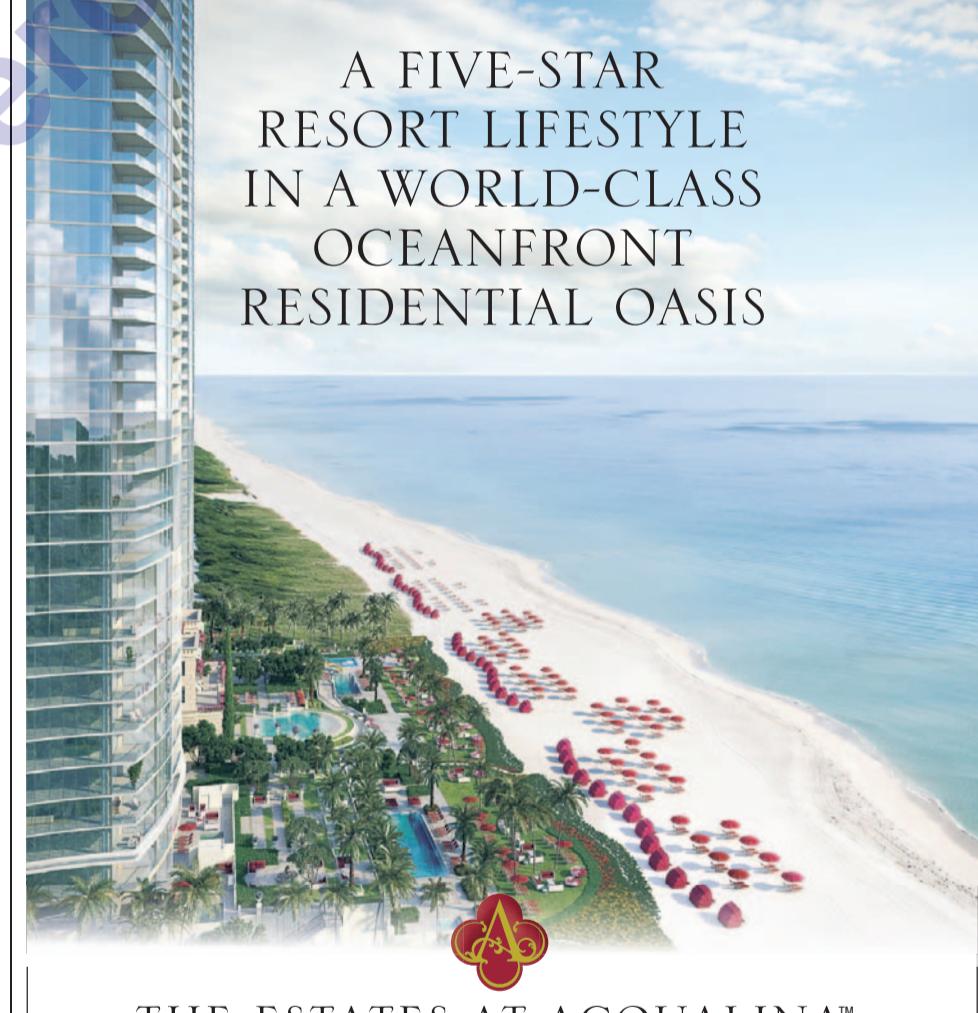
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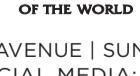
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## MANSION

# WALMART'S HOMETOWN

*Continued from page M1*  
through the retailer.

More recently, Walmart's battle with Amazon has brought in more tech-savvy urbanites. At the same time, Mr. Walton's heirs have invested in local projects that appeal to cosmopolitan tastes and a growing preference for downtown living, including an art museum, a boutique hotel, a culinary school and a bike-trail network, in part to help Walmart recruit talent.

Median home prices in the school district of Bentonville and neighboring Rogers, Ark., rose to \$200,750 last year, up 3.4% from 2016 and 20% over the past five years, said agent John Mayer.

Sales in the top 10% of the market have stayed relatively steady over that time as population growth and Walmart's continued wooing of technology workers have helped counter the company's job cuts in other sectors. Although median prices in that top tier slipped 1.5% last year, after rising 2.5% the year before, the number of houses sold for over \$500,000 grew to 226, up from 163 two years earlier. Homes in the \$500,000 to \$600,000 range are most popular, as buyers in less-expensive homes trade up, said Mr. Mayer.

Homes in the region are still cheaper than in other comparable cities. The average price per square foot in Bentonville is just \$131, according to Realtor.com. That's a 52% increase since 2012, but is still lower than in cities such as Seattle at \$824, Nashville at \$278, or Madison, Wis., at \$181.

Investments in Bentonville's downtown by Mr. Walton's heirs have given the city a cosmopolitan presence. In

2011 Alice Walton, Mr. Walton's daughter, spearheaded the opening of Crystal Bridges Museum of American Art in a modern building designed by architect Moshe Safdie. The Walton family helped fund the opening of 21c Museum Hotel. Two of Mr. Walton's grandsons, Tom and Steuart Walton, have more recently supported an extensive bike-trail network, dozens of restaurants and bars, and a culinary school.

Downtown improvements have drawn wealthy buyers who typically had clustered in a handful of golf-course communities, including Pinnacle and Talamore, which offer a clubhouse, grand homes and gated security.

Buster Arnwine and his wife, Sarah, have lived in the area multiple times for his job with Reckitt Benckiser Group, a seller of household goods. When moving back in 2015, the Arnwines, who have a 10-year-old son, initially lived in a sprawling home in St. Vallery Downs, a subdivision. Last year they moved to a townhome downtown, in part to socialize more often with people who don't work at Walmart or their vendors, said Mr. Arnwine. From the front deck of the two-bedroom, \$605,000 home, the family enjoys "watching city life go by," he said.

Last year David Redfield, a senior vice president at Walmart, moved into a \$700,000, three-bedroom condo near Bentonville's center. Recently divorced and with two nearly grown children, downtown became "a place I want to be part of, not just read about," said Mr. Redfield. Over a 28-year career with Walmart, he has lived in larger cities including Minneapolis, Toronto



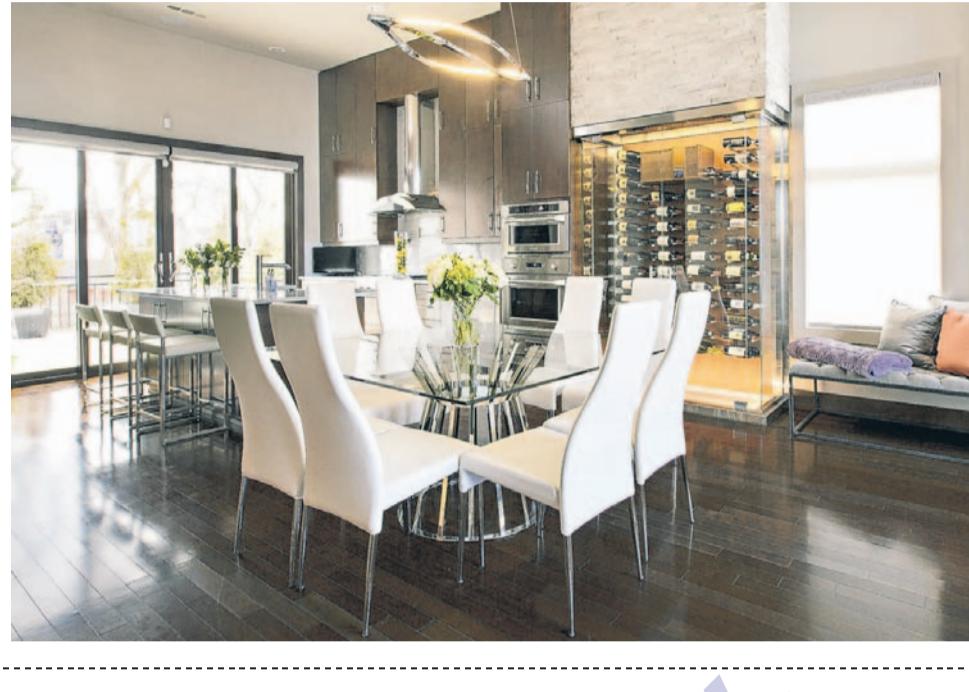
Crystal Bridges Museum of American Art, which opened in 2011.



Sam Walton's original local store, Walton's 5 & 10, is downtown.



**URBAN LIVING** David Redfield, above, lives in a five-unit rowhouse development in downtown Bentonville. The three-bedroom unit includes a 100-bottle wine cave.



**MODERN LOOK** Buster and Sarah Arnwine with their son, Ethan, recently moved to a condo downtown. Left, a seating area.

and Buenos Aires, giving him a taste for an urban lifestyle, such as walking to restaurants or biking to work, he says. He was able to design the interior of his condo, part of a five-unit rowhouse development, adding modern, industrial lines and a 100-bottle wine cave in the kitchen. "I wanted to make it feel less like small-town Arkansas."

The average sales price for homes in downtown Bentonville over the past six years jumped to \$192 per square foot up from \$63, according to a recent study by the University of Arkansas commissioned by the Walton Family Foundation. The jump is large enough that the foundation has started to consider how to support "attainable housing" for those with middle-class incomes, said a spokesman.

More local buyers want beautiful homes, but less space and no yard maintenance, said Dana Renfrow, one of four co-owners of Lamplighter Restoration, which has worked on real-estate projects downtown for decades and has helped craft the prevailing aesthetic of new high-end properties, often a mix of modern farmhouse meets Restoration Hardware.

Ms. Renfrow and her husband, Todd Renfrow, built a new space downtown last year for themselves and their music school, the Bentonville Academy of Music. The building has eight teaching rooms on the ground floor. An upstairs living space has a light-filled wrap-around kitchen, dining and living rooms, and three bedrooms, all with salvaged fireplaces, columns and other reclaimed materials.

Still, the priciest homes in the region are typically found in Pinnacle, a gated community of homes around a golf course and private golf club in Rogers, Ark., just south of Bentonville. Of the 11 homes that sold for over \$1 million in the Bentonville region last year, nine were in Pinnacle. Property owners include U.S. Sen. John Boozman, former Walmart CEO Lee Scott and John Furner, the current chief executive of Sam's Club, the warehouse chain owned by Walmart.

Wealthy buyers often choose Pinnacle over downtown because "it provides that instant community," said Paige Ferguson, a luxury real-estate agent who has lived in Pinnacle since 2008. Many residents are executives who move frequently for work and

have a trailing spouse. They want to be "in that bubble of your peers in the same socio-economic group," she said. "They want that easy life."

Though homes over \$1 million have been selling at a steady clip in recent years, there is an oversupply, said real-estate brokers, who noted that the market for those homes is still small compared with larger cities and that executives move frequently.

"Nobody is a lifer anymore," said Kristen Boozman, who grew up in the area and now owns Portfolio, a luxury real-estate agency that specializes in selling homes in Pinnacle. That means buyers often spend less than they could afford, anticipating a future move, she says.

The priciest homes can still languish on the market. A six-bedroom home built by an early Walmart executive to resemble a French château, with a limestone exterior, Tibetan temple hardwood floors and French crystal chandeliers with an asking price of \$4.75 million, has been on the market since early 2016.

"Last year we sold more homes over a million than we ever had," said Ms. Boozman. But "big picture, over a million bucks is still hard."

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**CHATEAU FOR SALE** A six-bedroom home built by an early Walmart executive to resemble a French château has been on the market since early 2016. The list price is \$4.75 million.

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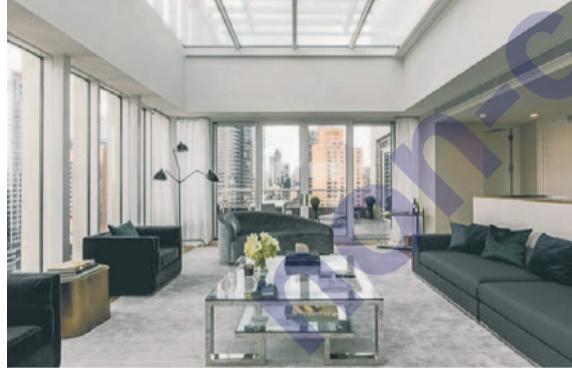


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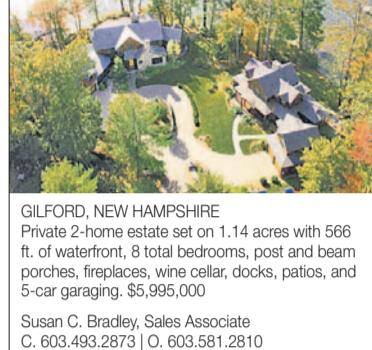
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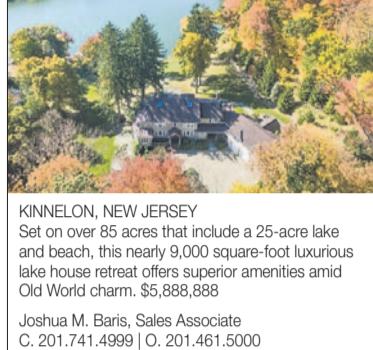
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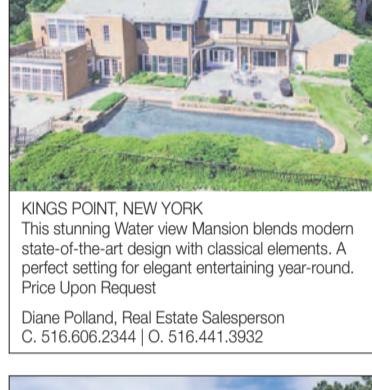
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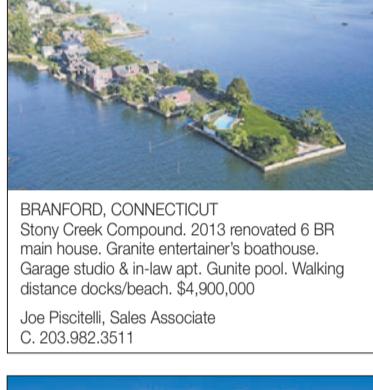
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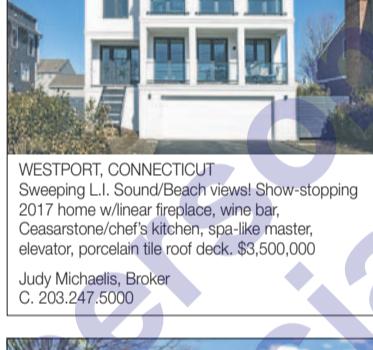
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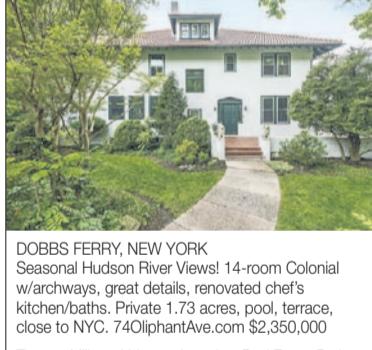
## WESTFIELD, NEW JERSEY

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## MANSION

## ELEMENTS

## FROM THE VOLCANO

Lava stone, once known for its muted, natural tones, takes on new textures, finishes and colors in home décor

**MOLTEN ROCK** is having its moment. Lava stone in home décor is typically found in muted shades of gray, brown and black. Today's producers are offering more options: enhancing the stone's natural textures and finishes, and filling in the surface with bright colors.

Volcanoes produce many types of lava because of the varying elemental compo-

sition of the molten rock. So, when the lava cools it forms different rock types, such as basalt, pumice and obsidian. Knowing the characteristics of the different types can make or break a project.

Most lava stone is sourced and manufactured in Europe. Here is a look at some lava-stone designs in homes.

—Nancy Keates



FROM TOP: PAUL WARCHOL; MATTHEW MILLMAN FOR JAY JEFFERS; BRETT BEYER PHOTOGRAPHY FOR BIS BIS; J-LAMB RESIDENTIAL

## IT'S A BLAST

In this bathroom outside Jackson, Wyo., the walls are chiseled lava stone and the floor is sandblasted lava stone. Jennifer Mei of Jackson-based Carney Logan Burke Architects says she first saw the material in a Boffi showroom and picked it for this project because it was unusual. The challenge of the stone is that when it is chiseled it is very porous. She advises not using porous finishes in showers, hot tubs or anywhere it would be in continuous contact with hot water.

**Prices:** Salvatori Chiseled Lava Stone wall tiles: \$28 per square foot; Salvatori Sandblasted Lava Stone: \$30 per square foot



## CRACKLED

Lisa Nemrow, a principal of Un-Gyve Group, Boston, uses enameled lava for its durability and stain resistance. Enameling allows for custom colors and textures. The lava-stone countertops in this kitchen at the Kenilworth building in Manhattan have a craquelé finish. The lava stone backsplash tiles have a matte finish; the lava stone sink also is craquelé.

**Prices:** Custom enameled basins, \$5,000 to \$15,000; tiles, \$50 to 100 per square foot; countertops, \$200 to \$400 per square foot, all from Bis Bis, a division of the Un-Gyve Group.



## THEY CAN TAKE IT

Durability was the crucial requirement for the owners of this San Francisco house. They wanted countertops that their four children couldn't damage. When architect Jay Jeffers, based in San Francisco, suggested lava stone, they went so far as to send a sample to a lab to be tested. After surviving being boiled for three hours and dropped from a height of 3 feet without cracking, they gave Mr. Jeffers the go-ahead for the enameled lava stone. Mr. Jeffers especially likes to use enameled stone, which comes from France, for tabletops, because he likes the array of bright colors it offers. The higher cost, however, limits its use for some projects.

**Price:** \$300 per square foot



## TURN UP THE CONTRAST

Designer Jeff Lamb, based in Portland, Ore., likes to use rough and smooth lava textures to create contrast in one space. He did that in this bathroom in a house in Kauai, Hawaii. He also enhanced the contrast by choosing a variety of the stone's natural colors.

**Prices:** Custom tubs range from \$7,500 to \$50,000, custom sinks from \$5,000 to \$15,000, depending on size and complexity. Lava tiles range from \$35 to \$55 per square foot, depending on thickness, at J Lamb Residential



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## MANSION

HOUSE CALL | ANDREW LLOYD WEBBER

# At 10, Awed by the 'Magic Trick' on Stage

The composer of 'Evita' and 'Cats' began with a toy theater; today a 5,000-acre English estate

**Even as a child, I loved musicals. In the mid-1950s, I built a sizable toy theater made of play bricks. It had a box office and a revolving stage, thanks to an old gramophone turntable. Over the years, I added sets and an entire fantasy town.**

For the toy theater, I wrote lots of dreadful musicals and played piano. As bored family and friends looked on, my younger brother, Julian, and I sang and moved toy soldiers around on the stage. It was a world I dearly wanted to be a part of.

I named the theater Harrington Pavilion, after our home at 10 Harrington Court in South Kensington, London. Our family house was on a noisy, rundown block of mansion flats.

At home, I always kept my bedroom neat. My Aunt Vi made me aware early on that how things looked mattered. She had an eye for interior design and taught me to cook. She also admired my early passion for the theater.

My mother, Jean, was a superb children's piano teacher. Just after I was born, she co-founded a prep school called the Wetherby. She handled the music side.

Mum was keen on my brother and me being seen early as successful at something. Though I was proficient on a variety of instruments, I had no intention of becoming a classical musician, much to mother's disappointment.

I experienced my first bit of live theater as a young child during family trips to the London Palladium. The British family Christmas performances known as "pantomimes" captivated me. It was like watching an elaborate magic trick.

My father, William, was a professor of composition at the Royal College of Music and then director at

the London College of Music. He loved playing the pipe organ publicly and originally wanted to be a composer of "serious" music.

The first musical my father took me to see was "My Fair Lady" in 1958, when I was 10. I already knew the music because my Aunt Vi had brought a copy of the cast album back from a trip to America.

Sitting in the audience that night, I wasn't trying to figure out why the songs were so compelling. I simply absorbed the totality of the musical. I'd never seen anything like it.

Within weeks, I saw "West Side Story" and the film versions of "Gigi" and "South Pacific." I still think "Gigi's" overture is one of the greatest of all time, and "South Pacific's" score remains the masterpiece to beat.

At Westminster Under School, I was small, and my love of musicals made me a prime target for bullies. But all of that came to an end when I was 11.

One afternoon, I was scheduled to perform a piano piece by Haydn for an end-of-term concert. After I was introduced, I could hear a collective yawn from the boys in the audience. So instead of playing Haydn, I announced I was going to play origi-



**CURTAIN UP** Andrew Lloyd Webber, left, in Avatar Studios in New York City in 2015. Below on right, with brother, Julian, in mid-1950s.

songs and musicals.

Our first musical was "Joseph and the Amazing Technicolor Dreamcoat" in 1968, followed by the rock opera "Jesus Christ Superstar" in '70.

Today, I live in Sydmonton Court in southern England. The Tudor manor house sits on 5,000 acres of countryside. It's a wonderful piece of property. The house looks overwhelmingly big, but it's really quite livable. There's a big cozy family room, and my art collection is there.

As for my toy theater, I dismantled and bagged it when I moved out of the family flat. I assumed my parents would keep it for me. But at some point, someone must have thrown it out.

It certainly would be lovely to know that someone rescued the bag, assembled the pieces and today is as inspired by the theater as I was. I wish I still had it.

—As told to Marc Myers

For a time, she doted on Julian and his cello. Then she focused on John Lill, who was 16 when my brother met him at music school. John was already a star pianist. Eventually, he moved in with us.

My mother's devotion to John affected Julian more than me. By then, I was boarding at Westminster School on a scholarship.

A big turning point for me came in 1965, when I was 17. I met lyricist Tim Rice, who was 22. I had left college to work on a musical, and Tim wrote me a letter at the suggestion of a book editor. Tim and I soon began collaborating on pop

Andrew Lloyd Webber, 69, has composed 16 musicals, including "Cats," "Evita" and "The Phantom of the Opera." His memoir, "Unmasked" (Harper), and a new collection of his music, "The Platinum Edition" (UMe), are out in March.

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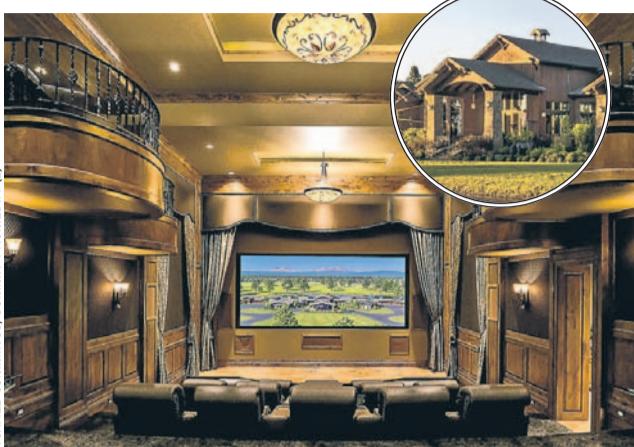
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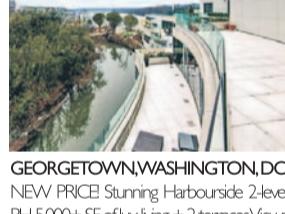
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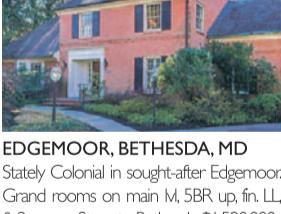
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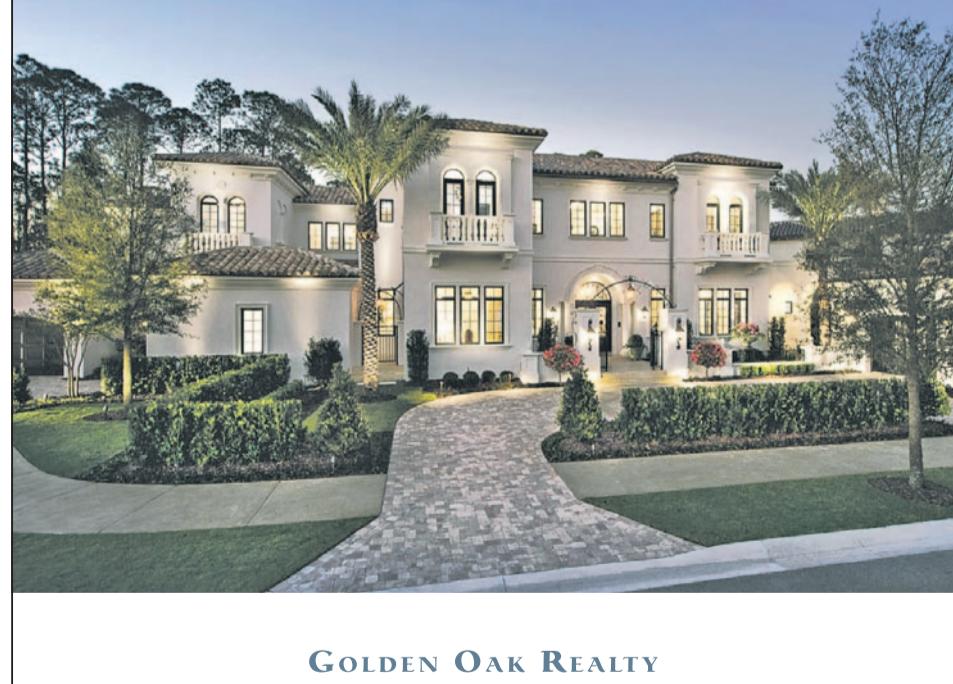
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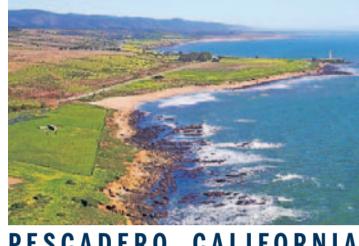
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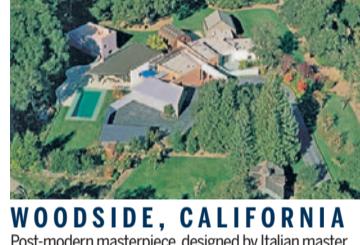
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+1 415.720.1053 | 92MtTiburon.com



## TIBURON, CALIFORNIA

This breathtaking view is perfectly captured by a home high atop Tiburon with vistas spanning the Golden Gate, Bay and San Rafael Bridges and unrivaled views of the San Francisco skyline. 6 bedrooms, 4.5 baths. **\$8,500,000.** Lydia Sarkissian, Magda Sarkissian, Bill Bullock.

Golden Gate Sotheby's International Realty  
+1 415.517.7720 | globalestates.com



## WOODSIDE, CALIFORNIA

Post-modern masterpiece, designed by Italian master Ettore Sottsass, in the heart of the Silicon Valley. Built to challenge your sense of convention while still providing an intimate and functional dwelling. 4.93 acres, including main home, guest house, and state-of-the art equestrian facilities. **\$13,500,000.** Michael Dreyfus.

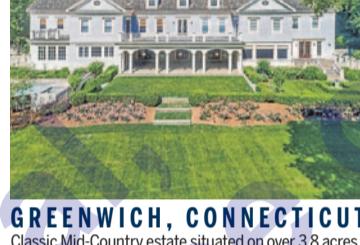
Golden Gate Sotheby's International Realty  
+1 650.485.3476 | 1250canada.com



## GREENWICH, CONNECTICUT

Two lot Conyers Farm peninsula, totaling 45 acres on Converse Lake. Opportunity to build 1 or 2 homes, offering the utmost in privacy, with gorgeous panoramic views of the 100+ acre lake. **\$9,750,000.** Fran Ehrlich. fran.ehrlich@sothebyshomes.com

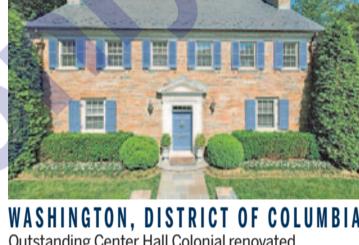
Sotheby's International Realty  
Greenwich Brokerage  
+1 203.249.5561 | longvupoint.com



## GREENWICH, CONNECTICUT

Classic Mid-Country estate situated on over 3.8 acres of beautifully landscaped and private grounds and gardens. Grandly scaled rooms with great attention to every detail. Pool and tennis court. **\$8,975,000.** Shelly Tretter Lynch. shelly.tretter@sothebyshomes.com

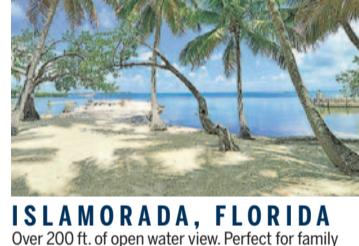
Sotheby's International Realty  
Greenwich Brokerage  
+1 203.550.8508 | 65clapboardridgerd.com



## WASHINGTON, DISTRICT OF COLUMBIA

Outstanding Center Hall Colonial renovated throughout. Fully modernized and upgraded kitchen, formal living and dining rooms, master suite with sitting room and his/her baths, 4 additional bedrooms and baths. Flagstone patio and pool. **\$4,995,000.** Marc Fleisher.

TTR Sotheby's International Realty  
+1 202.438.4880 | tttsir.com



## ISLAMORADA, FLORIDA

Over 200 ft. of open water view. Perfect for family compound or rental units. Deep water dockage with protected basin and boat ramp. Plus guest house with 3 bedrooms, 2 baths. **\$4,100,000.** John.Vilad@sothebysrealty.com

Ocean Sotheby's International Realty  
+1 305.712.8888 | OceanSIR.com



## KEY LARGO, FLORIDA

Extraordinary ocean front home located in the private community of Ocean Reef boasting chef's kitchen, 5 guest bedroom suites, elevator to second floor private master suite, spectacular pool area, and 39 ft. of dockage. **\$15,500,000.** Molly.Taylor@sothebysrealty.com

Russell Post Sotheby's International Realty  
+1 305.367.2027 | RussellPostSIR.com



## KEY LARGO, FLORIDA

Newly-built Ocean Reef home with vast golf course views. Contemporary, sophisticated design with master suite wing, 2 guest suites and a beautiful library/4th bedroom. Fabulous outdoor living area with pool, gazebo, and outdoor kitchen. **\$4,875,000.** Russell.Post@sothebysrealty.com

Russell Post Sotheby's International Realty  
+1 305.367.2027 | RussellPostSIR.com



## KEY LARGO, FLORIDA

Enjoy sweeping bay views from this home featuring an open floor plan with updated kitchen, 4 welcoming bedrooms, and screened balcony overlooking the swimming pool. Inviting outdoor living with tiki and pier. **\$2,199,000.** Nancy.Hershoff@sothebysrealty.com

Ocean Sotheby's International Realty  
+1 305.712.888 | OceanSIR.com



## KEY WEST, FLORIDA

Beautiful oceanfront residence on Sunset Key Island. One of the finest waterfront homes on Sunset Key. Open water views of Key West Harbor. Relax poolside and watch the tall ships cruise by. **\$6,950,000.** Bob.Cardenas@sothebysrealty.com

Ocean Sotheby's International Realty  
+1 305.297.1117 | OceanSIR.com



## PUMPKIN KEY, FLORIDA

Florida Keys private island just 3 minutes by boat to shore accommodations in Ocean Reef. Water and electric in place from shore to 12 large bay front lots. Currently, featuring 1 main home, 2 caretaker's cottages and 20-slip marina. **\$95,000,000.** Russell.Post@sothebysrealty.com

Russell Post Sotheby's International Realty  
+1 305.367.2027 | RussellPostSIR.com



## BOSTON, MASSACHUSETTS

Elegant 2 bedroom, 2.5 bath duplex across from the Public Garden. Beautifully crafted with high ceilings, crown moldings and oak floors. Features include chef's kitchen, den, and master suite with marble bath. 2 parking spaces. **\$3,450,000.** Michael L. Carrucci.

Gibson Sotheby's International Realty  
+1 617.901.7600 | GibsonSothebysRealty.com



## CAPE COD, MASSACHUSETTS

East Orleans. Cape Cod summer living at its finest. Lovingly-restored family retreat just 5 minutes from the sands of Nauset Beach. Fabulous brand-new kitchen, updated baths, refinished wood floors. **\$1,095,000.** Trainor & Ehrstrom. eric@oldCape.com

oldCape Sotheby's International Realty  
+1 508.360.2244 | oldCape.com



## WESTON, MASSACHUSETTS

Bespoke brick manor situated on 1.5 acres in the Weston Country Club neighborhood. This custom-built 6,400 sq. ft. 5 bedroom, 5 full and 2 half bath residence boasts rich architectural detail and design throughout. **\$3,695,000.** Michael L. Carucci.

Gibson Sotheby's International Realty  
+1 617.901.7600 | GibsonSothebysRealty.com



## BETHESDA, MARYLAND

Breathtaking fully custom-built residence. Stone and stucco French Country elevation. Sensational floor plan ideal for entertaining. Detached exercise room, separate guest house, loggia, swimming pool. **\$5,600,000.** Marc Fleisher.

marc@thefleishergroup.com



## NYE, MONTANA

Privacy, fabulous 360° views, understated luxury on 41+ acres, bordered by Little Rocky Creek. Stunning design and superior construction. Walk to private fishing access on the Stillwater River. **\$1,795,000.**

Big Sky Sotheby's International Realty  
+1 406.995.2211 | bigskysir.com



## NEW YORK, NEW YORK

A rare opportunity—a completely newly built mansion in the coveted Upper East Side Historic District. **\$32,500,000.** Nikki Field, Patricia A. Wheatley. nikki.field@sothebyshomes.com pat.wheatley@sothebyshomes.com

Sotheby's International Realty  
East Side Manhattan Brokerage  
+1 212.606.7699/7613 | sothebyshomes.com/00111667



## NEW YORK, NEW YORK

910 Fifth Avenue. Perched above Fifth Avenue, this sprawling high floor corner residence boasts truly magnificent Central Park views from 62 ft. of direct park frontage. **\$16,000,000.** Serena Boardman. serena.boardman@