

ADVERTISEMENT

The Face of Change



Korin Reid, PhD
Senior Data Scientist
Atlanta, GA

Leveraging data to accelerate the journey to a value-based healthcare system. That's what drives Korin. **Change Healthcare. Inspiring a better healthcare system.**

CHANGE
HEALTHCARE

changehealthcare.com

©2017 Change Healthcare Operations, LLC. All rights reserved.

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

FRIDAY, MAY 26, 2017 ~ VOL. CCLXIX NO. 122

WSJ.com

★★★★ \$3.00

DJIA 21082.95 ▲ 70.53 0.3% NASDAQ 6205.26 ▲ 0.7% STOXX 600 392.14 ▼ 0.1% 10-YR. TREAS. ▲ 4/32, yield 2.254% OIL \$48.90 ▼ \$2.46 GOLD \$1,255.80 ▲ \$3.40 EURO \$1.1211 YEN 111.84

What's News

Business & Finance

Best Buy reported a surprise increase in quarterly revenue, bucking the retail slump by turning its stores from a potential drag on business into a way to fend off Amazon. **A1**

◆ Oil prices sank nearly 5% as OPEC's announcement on extending output cuts disappointed traders who hoped for a more aggressive plan. **B1**

◆ China's central bank is effectively anchoring the yuan to the dollar, helping to stabilize the currency. **B1**

◆ Ford has wooed back a senior engineer who left the firm to develop autonomous vehicles at Uber. **B3**

◆ BlackRock and Vanguard are considering a public rebuke to Exxon over climate change at the oil firm's annual meeting next week. **B5**

◆ Consumer-discretionary shares helped propel the S&P 500 to its 19th record close of the year. **B11**

◆ The new FDA commissioner plans a multifaceted effort to restrain high prescription-drug prices. **A2**

◆ The founding family of AmTrust is investing another \$300 million in the insurer following a share sell-off. **B10**

◆ Microsoft launched a videogame live-streaming service, setting up a battle among big tech firms. **B4**

World-Wide

◆ A federal appeals court issued a sharply worded ruling rejecting Trump's request to reinstate his revised travel ban, setting the stage for the Supreme Court to resolve the matter. **A1**

◆ Trump called for an investigation into how sensitive information the U.K. shared with the U.S. on the Manchester terror bombing ended up in news reports. **A1**

◆ The attack has restarted a debate about how the U.K. decides which potential extremists to watch. **A8**

◆ Trump held meetings with France's Macron and senior EU leaders, after which it was clear that many critical differences remain. **A6**

◆ The president issued tough new spending demands for NATO while withholding public support for a core tenet of the alliance. **A6**

◆ An attorney for Kushner said the senior White House aide would cooperate with any probes into meetings he had with Russians. **A4**

◆ A hacker known as Guccifer 2.0 last year sent Democratic voter-turnout data to a GOP operative in Florida. **A5**

◆ The GOP candidate won a hotly contested House race in Montana. **A3**

◆ The FBI told Congress it would withhold for now memos by Comey on his interactions with Trump. **A4**

CONTENTS Opinion A15-17 Business News B3-5 Sports A14 Crossword A13 Streetwise B1 Head on Street B12 Technology B4 Life & Arts A12-13 U.S. News A2-5 Mansion M1-10 Weather A13 Markets B11-12 World News A6-10

2 15 35 >
0 78908 63141 1

Copyright 2017 Dow Jones & Company. All Rights Reserved

Trump and Macron's Handshakes Grab the Spotlight in Brussels



GRIP-AND-GRIN: President Donald Trump greeted French President Emmanuel Macron in Brussels on Thursday. It was their second high-profile handshake that day, after their intense, white-knuckled grip at an earlier meeting had drawn widespread attention. **A6**

Trump Takes Aim at Leaks

President Donald Trump, already angry about leaks from U.S. intelligence agencies, called for an investigation into how sensitive information the British shared with key allies on the Manchester terror bombing ended up in news reports.

Outraged British officials, from Prime Minister Theresa May down to local police, ex-

By Carol E. Lee in Brussels and Jenny Gross in London

pressed dismay over their suspicions that the U.K.'s closest ally was the source of information for reporters from the earliest hours after Monday night's suicide bombing at a pop concert that killed 22 people

and injured more than 100. Mrs. May raised the issue of the leaks with Mr. Trump at Thursday's summit in Brussels of leaders of the North Atlantic Treaty Organization. A U.K. official said the prime minister "expressed the view that the intelligence-sharing relationship we have with the U.S. is hugely important and valuable, but that the information

that we share should be kept secure." The White House had no immediate comment on the conversation.

Mr. Trump's administration has grappled with a series of leaks of classified and sensitive information, which White

Please see LEAK page A5

◆ U.K. strains to prioritize terror probes as threat grows..... **A8**

Oil Prices Drop on OPEC Plans

The Organization of the Petroleum Exporting Countries renewed a deal with 10 other major non-OPEC oil producers to cap production through March 2018. Traders had hoped for a further reduction. **B1**

OPEC crude-oil production, cumulative change since 2015



Best Buy Defies Slump in Retail

By KHADEEJA SAFDAR

Best Buy Co., the electronics giant left for dead a few years ago, is bucking America's retail slump by turning its cavernous stores from a potential drag on its business into a way to fend off Amazon.com Inc.

The company Thursday reported a slight increase in

quarterly revenue, surprising investors who were bracing for a decline. Online sales jumped 23% in the U.S. from a year ago, accounting for \$1 billion of business in the quarter and offsetting in-store declines.

Best Buy shares surged 21% Thursday to \$61.25, setting an all-time high and marking its largest percent-

age gain since January 2001. It is a reversal for a company that five years ago was struggling with plunging sales and dwindling profit as consumers browsed at brick-and-mortar stores but made purchases on

Amazon and other websites, a practice called "showrooming." Some investors remain skeptical.

Please see BEST page A2

INSIDE



CALIFORNIA'S NEWEST HOT SPOT

MANSION, MI

'PIRATES': ENTERTAINMENT SCUTTLED

LIFE & ARTS, A12

FORD HONES TECH EFFORT WITH NEW HIRE

BUSINESS NEWS, B3

Wall Street's Endangered Species: The College Jock

* * *

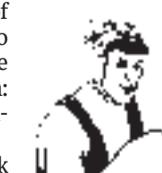
Onetime athletes benched for math stars; 'It's all going electronic'

By JUSTIN BAER

When Michael Savini came to Wall Street in 2006, banks and brokers had stocked their annual recruiting classes with a preponderance of new hires who shared at least one thing in common: They'd played college sports.

In New York and Chicago, trading floors teemed with former football and lacrosse stars, as well as veterans of college hockey, wrestling, tennis and crew teams.

Some ex-athletes, including former investment bank CEOs John Mack, Henry Paulson and



Michael Savini

Alan Schwartz, made it to the executive suite. Many others looked favorably on younger versions of themselves, building networks that drew athletes, typically male, from their alma mater.

Ex-jocks had the right stomach for risk-taking, the theory went, and the ideal temperament to win clients' trust and business.

"You saw a lot of big guys" in Chicago's trading pits, said Bernard McSherry, dean of the New Jersey City University's business school, who spent many years on the floor of the NYSE. "Those were physical

Please see JOCKS page A11

U.S. NEWS

FDA Chief Aims to Curb High Drug Prices

BY THOMAS M. BURTON

The new commissioner of the Food and Drug Administration plans a multifaceted effort to restrain high prescription-drug prices, centered on speeding cheaper generic medicines onto the U.S. market.

Previous FDA commissioners have largely professed inability to act on drug costs, even as prices of drugs for cancer, hepatitis and other illnesses climbed to as much as hundreds of thousands of dollars a year. The FDA's job, they said, is to assess safety and efficacy, and little else.

But two weeks into his tenure running the federal safety agency, Scott Gottlieb is setting an activist agenda on generic drugs called the Drug Competition Action Plan. Until now, mostly Democrats in Congress have pursued such an approach.

"Simply put, too many pa-

tients are priced out of the medicines they need," Dr. Gottlieb told a congressional subcommittee Thursday. "While the FDA does not have a direct role in drug pricing, we can take steps to facilitate entry of lower-cost alternatives to the market, and increase competition."

Dr. Gottlieb plans, for example, to have the agency intervene in cases in which brand-name drug companies are accused of using FDA safety rules to refuse to make drugs available to generic manufacturers. Generic companies need those products to manufacture equivalent ones.

"The FDA has an important role to play," he said in the testimony before the agriculture subcommittee of the House Appropriations Committee on Thursday, "in making sure that its statutory and regulatory processes are working as in-

tended, and not being manipulated in ways that FDA and Congress did not intend."

Sens. Patrick Leahy (D., Vt.), Chuck Grassley (R., Iowa), Amy Klobuchar (D., Minn.) and Mike Lee (R., Utah) are sponsoring a bill that would enable generic makers to sue a brand company to obtain access to a drug.

Dr. Gottlieb laid out several of these ideas before the House appropriations subcommittee that is deciding on an FDA budget for the government's fiscal 2018, which begins Oct. 1.

The Trump administration has called for FDA budget provisions that even some leading congressional Republicans have called unrealistic. The administration's budget, released this week, has proposed cutting about \$943 million from programs funded by taxpayers, while roughly doubling the user fees that drug and medical device makers pay to cover the

cost of reviewing new medical products. But the FDA already negotiated much-lower user fees with the medical industry, and several senators of both parties say it isn't possible at this late date to simply tear up those agreements.

For now, House and Senate appropriations panels are left to flesh out how much additional tax money will be needed to pay for the FDA without cutting safety programs. Another issue in the Trump budget proposal is an \$83 million reduction for 2018 in the money the FDA can spend on protecting food safety.

Part of the commissioner's drug-price initiative will be simply an effort to accelerate generic-drug approvals by reducing the backlog of applications at the agency. The backlog will never be eliminated completely, but as of now, the workload is 2,640 applications, of which 1,484 have been sent back to

companies for changes.

Dr. Gottlieb also is calling on the FDA to ease generic versions of "complex" drugs onto the market. These are drugs that are no longer patent-protected but lack generic competi-

for anaphylactic shock, GlaxoSmithKline PLC's Advair for asthma, and diabetes drug Lantus from Sanofi SA.

Dr. Gottlieb is also calling on the FDA to regularly make public lists of older medicines that still don't have generic competition, in an effort to lure generic companies into the market.

Congressional representatives from both parties have expressed skepticism about the Trump administration's FDA budget proposal, and said they are convinced that it overstates user fees by more than \$700 million.

Rep. Nita Lowey (D., N.Y.) said the budget proposal represents a 34% cut in the FDA budget, saying it amounts to "an arbitrary spending cut."

Separately, the FDA said that the Trump administration's hiring freeze, announced in January, has been lifted at the agency.

2,640

Number of applications for generic-drug approvals at the FDA

tion for various reasons. For one, if the medicines are applied to the skin or eyes or in inhalers or injectors, it can be especially difficult under current FDA rules for generic drug manufacturers to prove equivalence. Such drugs include multi-billion-dollar products like Mylan NV's EpiPen auto-injector

U.S. WATCH

HOUSING

Millennials Lack Cash For Down Payments

Most millennials have saved virtually nothing for a down payment on a home, according to a new study, suggesting many will face steep obstacles to homeownership in the years ahead.

Nearly 70% of young people ages 18 to 34 years old said they have saved less than \$1,000 for a down payment, according to a survey by Apartment List, a rental listing company, expected to be released Friday.

About 40% said they aren't saving anything monthly.

Even senior members of the group are falling short. Nearly 40% of older millennials, those age 25 to 34, who by historical measures should already own or be a few years away from homeownership, said they are saving nothing for a down payment each month.

The study helps illuminate a tension at the heart of the housing market. The vast majority—some 80%—of millennials said they eventually plan to buy a home. But 72% said the primary obstacle is that they can't afford it.

The reasons young people are falling behind include student loan debt, rising rents and the slow starts many got to their careers during the recession. Living in vibrant urban centers with ready access to restaurants, bars and entertainment might also make saving seem less urgent.

—Laura Kusisto

TEXAS

Teacher-Student Sex Relations Targeted

Texas Gov. Greg Abbott signed a bill Thursday that makes it a criminal offense for school administrators to conceal inappropriate teacher-student relationships.

Passage of the bill, one of the toughest nationally to address improper relationships by educators, comes as such reported cases in Texas have increased over the past several years—from 141 in 2009 to 222 in the fiscal year ended August 2016, according to the Texas Education Agency.

Under the new law, which takes effect on Sept. 1, superintendents and principals who conceal educator sexual misconduct will face a felony charge, punishable upon conviction by up to two years in jail.

And those who help such offenders get a job at a school, despite knowing their background of misconduct, risk having their state certificate revoked.

Teachers convicted of a felony for sexual misconduct or having an improper relationship with a minor will have their pension revoked under the new law; a court could release all or part of the pension to a spouse.

—Tawnell D. Hobbs

VERMONT

Backers of Legalizing Pot See New Chance

Supporters of a bill vetoed by Republican Gov. Phil Scott that would have legalized marijuana in Vermont said Thursday that they are hopeful that a compromise on the legislation can be reached next month, but lawmakers aren't so confident.

On Wednesday, Gov. Scott vetoed the bill, saying he was sending it back to the Legislature with recommendations for changes, such as more aggressive penalties for smoking pot while driving or in the presence of children and clearer and tougher penalties for selling and dispensing marijuana to minors.

"There's an opportunity to get this done this summer and have Vermont be the first state to do this legislatively," said Matt Simon of the Vermont Coalition to Regulate Marijuana.

—Associated Press

Preparing for a Remembrance at Arlington



IN MEMORIAM: Soldiers from the 3rd U.S. Infantry Regiment (The Old Guard) placed American flags on every headstone Thursday during the 'Flags In' ceremony in advance of Memorial Day at Arlington National Cemetery in Arlington, Va.

BEST

Continued from Page One
cal, with more than \$2 billion in short interest, or bets that the share price will decline, according to research firm S3 Partners.

The company's modest growth stands apart in an industry that has struggled with declining mall traffic and a glut of traditional stores. Retailers are on pace to close a record number of stores this year and several are being liquidated in bankruptcy court. Two of Best Buy's competitors, RadioShack and hhgregg Inc., recently filed for bankruptcy protection with plans to close hundreds of stores.

While Best Buy has closed a dozen large stores and 40 smaller ones during the past year, it continues to operate 1,600 locations in North America and is increasingly able to use them to build up its e-commerce business. About half of its online orders are now either shipped or picked up from its stores.

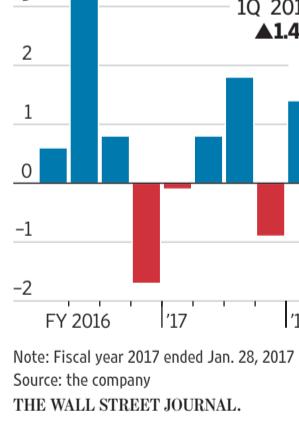
"The stores continue to be a great asset for us," Best Buy Chief Executive Hubert Joly said on Thursday. "They're a great asset from the standpoint of the customer experience on the more complex categories or experiences, and they're a great asset from a shipping and logistics standpoint."

To fend off digital competition, Best Buy gave up efforts to charge consumers more in stores than online. It promised in 2013 to match online competitors' prices and brought its prices in line with Amazon's—a move that has paid dividends now that shoppers can instantly check prices on smartphones.

The price guarantee made a loyal shopper out of Anton Robinson, a 34-year-old lawyer in New York City. He buys his music equipment from Best Buy because he prefers to test products in person and doesn't

Against the Odds

Best Buy's domestic comparable store sales



Note: Fiscal year 2017 ended Jan. 28, 2017

Source: The company

THE WALL STREET JOURNAL

ing to lower prices and use their stores to fill online orders. Best Buy "ripped the Band-Aid off early under this management team," said Seth Sigman, an analyst at Credit Suisse. "They quickly came to the realization that sharper prices are the future."

Best Buy also found a way to get more out of its giant stores. The company eliminated much of the floorspace once dedicated to DVDs and other media and has given it to brands such as Samsung, Verizon and Microsoft, which both pay rent and provide staff with expertise.

For the quarter ended April 29, Best Buy reported revenue of \$8.53 billion, up 1% from the year-earlier period. Profit fell to \$188 million, or 60 cents a share, down from \$229 million, or 69 cents a share, a year ago, which was boosted by a \$183 million legal settlement.

In a call with analysts, Mr. Joly said cellphone sales "were better than we expected" in the quarter thanks to unlimited data plans launched in

February by Verizon Communications Inc. and AT&T Inc., which prompted shoppers to visit stores. Sales rose late in the quarter as U.S. consumers received tax refunds that had been delayed.

Best Buy got a boost from the release of Nintendo Co.'s new console, the Switch. It was released in limited quantities after its March debut sending shoppers to stores in search of the \$299 gadget.

Mr. Joly has been adding services, such as technical support and the company's Geek Squad repair services, to lessen Best Buy's reliance on new gadgets or televisions. On Thursday, he said Best Buy plans a nationwide rollout of in-home advisory services, in which consultants will visit consumers to field technology questions.

"Having these conversations in the home unlocks all sorts of discussions with the customers," Mr. Joly said. "There's some needs that people never talk about in the stores."

—Maria Armental
contributed to this article.



Customers looked at flat-screen televisions at a Best Buy store in Downers Grove, Ill., this week.

DANIEL ACKER/BLOOMBERG NEWS

ECONOMY

Jobless Claims Rose Slightly Last Week

The number of Americans applying for first-time unemployment benefits ticked up last week, though overall numbers remain consistent with steady job gains.

Initial jobless claims, a proxy for layoffs across the U.S., rose 1,000 to a seasonally adjusted 234,000 in the week ended May 20, the Labor Department said Thursday. Economists surveyed by The Wall Street Journal had forecast 237,000 new claims.

Weekly estimates of jobless claims can be volatile, but generally have hovered near four-decade lows in recent months.

—Sarah Chaney

and Josh Mitchell

CORRECTIONS & AMPLIFICATIONS

Middlebury College on Tuesday announced its punishments for the students involved in protests against libertarian scholar Charles

Murray. In some editions Thursday, a U.S. News article about the college incorrectly said the announcement was made Wednesday.

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

THE WALL STREET JOURNAL

(USPS 664-680) (Eastern Edition ISSN 0099-9660)

(Central Edition ISSN 1092-0935) (Western Edition ISSN 0193-2241)

Editorial and publication headquarters: 1211 Avenue of the Americas, New York, N.Y. 10036

Published daily except Sundays and general legal holidays.

Periodicals postage paid at New York, N.Y., and other mailing offices.

Postmaster: Send address changes to The Wall Street Journal, 200 Burnett Rd., Chico, MA 01020.

All Advertising published in The Wall Street Journal is subject to the applicable rate card, copies of which are available from the Advertising Services Department, Dow Jones & Co. Inc., 1211 Avenue of the Americas, New York, N.Y. 10036. The Journal reserves the right not to accept an advertiser's order.

Only publication of an advertisement shall constitute final acceptance of the advertiser's order.

Letters to the Editor: Fax: 212-416-2891; email: wsj.letters@wsj.com

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

CONTACT CUSTOMER SUPPORT.

By web: customercenter.wsj.com; By email: wsjsupport@wsj.com

By phone: 1-800-JOURNAL (1-800-568-7625); Or by live chat at wsj.com/livechat

U.S. NEWS

Prison Capital Tries to Change Stripes

Louisiana poised for overhaul aimed at reducing U.S.-leading incarceration rate

BY BETH REINHARD

BATON ROUGE—Louisiana is on the verge of a wide-ranging criminal justice overhaul aimed at curbing the highest incarceration rate in America.

Gov. John Bel Edwards, the only Democratic governor in the Deep South, and some top Republican lawmakers are backing legislation that would reduce sentences for a range of crimes and expand parole, probation and other alternatives to prison for nonviolent offenders. Passage by the GOP-led Legislature convened through June 8 would be a historic step projected to reduce the prison population by 10% and save \$262 million over the next decade.

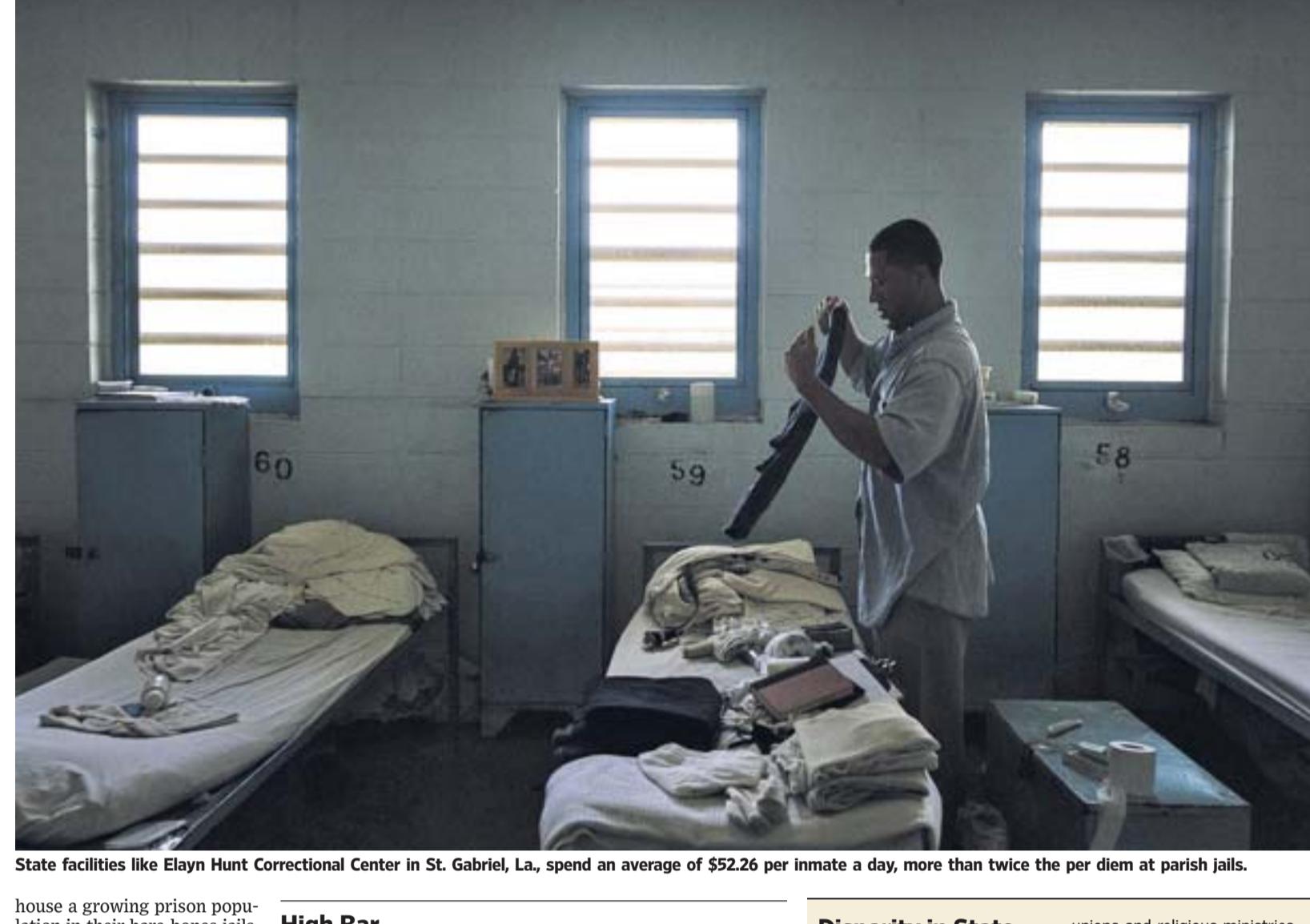
But in a state where law and order is embedded in the culture and the economy, two of the most powerful lobbies—elected sheriffs and district attorneys—blocked more-sweeping bills that also would have eased penalties for violent criminals.

Louisiana, it appears, will remain America's prison capital, though the governor says the scaled-back legislation will bring significant change.

"No doubt this is huge step forward and a monumental change in the mindset of the Legislature, which for decades has been reflexively tough on crime," said Mr. Edwards.

The challenges facing Louisiana offer lessons as a number of states, including several in the South led by Republicans, are moving away from the harsh mandatory-minimum sentences that fueled booming and costly prisons. The movement contrasts with the Trump administration's law-and-order agenda. Attorney General Jeff Sessions has said mandatory-minimum sentences deter crime and recently ordered federal prosecutors to charge drug offenders more aggressively.

To see the real-life impact of these policies, drive 33 miles north of Baton Rouge, past cow pastures and the sign advertising a \$99 hog trap, to the East Feliciana Parish Jail. The squat, beige building surrounded by barbed wire was built in 1988 as sheriffs statewide were enlisted to help



State facilities like Elayn Hunt Correctional Center in St. Gabriel, La., spend an average of \$52.26 per inmate a day, more than twice the per diem at parish jails.

EDMUND D. FOUNTAIN FOR THE WALL STREET JOURNAL

house a growing prison population in their bare-bones jails, making Louisiana the state with the biggest share of inmates in local lockups.

While sheriffs say they can abide lighter sentences for nonviolent offenders, they argue that reducing penalties for some felonies and making certain long-serving offenders eligible for parole would endanger public safety and dishonor their victims. More than 42% of prisoners commit another crime within five years, according to state data.

"We can't just open the floodgates," said East Feliciana Sheriff Jeff Travis, who grew up in the parish, went to work for the Department of Corrections and came home to run for local office. "As a sheriff, I speak for the victims who don't have a voice."

In Louisiana, law and order isn't the only guiding principle. Sheriffs get \$24.39 a day from the state to house each inmate. Less state revenue to house inmates means fewer corrections jobs and less

High Bar

Despite the prison population of Louisiana declining in 2015, it still remains the state with the highest incarceration rate.

Top states for imprisonment

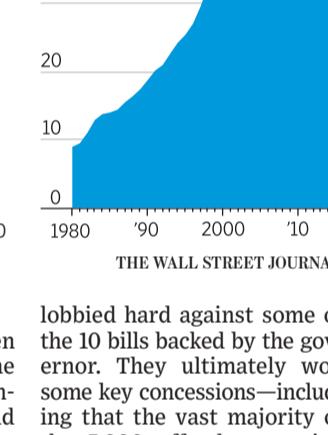
Prisoners per 100,000 people



Source: The Sentencing Project

Louisiana prison population

In thousands of prisoners



2015 36,347 prisoners

THE WALL STREET JOURNAL

cheap inmate labor.

"Catastrophic," Warden Kenny Sanders said of the prospect of fewer state inmates in East Feliciana and other parishes with little industry. "That's a big bulk of our revenue here."

Sheriffs and prosecutors

lobbied hard against some of the 10 bills backed by the governor.

They ultimately won some key concessions—including that the vast majority of the 5,000 offenders serving life sentences will continue to be ineligible for parole—as part of a scaled-back legisla-

Disparity in State And Local Spending

The contrast between the parish jails, which ultimately release most of Louisiana's prisoners, and the state correctional institutions is stark when it comes to rehabilitation programs.

South of Baton Rouge, the Elayn Hunt Correctional Center, a state facility, recently held a job fair for about 100 prisoners slated for release in the next 12 months. Prisoners milled around the visitation room, collecting brochures from housing groups, labor unions, credit

unions and religious ministries. Many had learned to build cabinets, weld pipes or repair refrigerators while serving time.

"I ain't got but 60 days!" 32-year-old Harold Foltner, who said he was convicted of drug possession, told a community college representative at the job fair. Surveying the room, he added, "In a parish jail you sit in a cell all day and watch TV. You have no access to nothing. Here, I've set some goals to find a place of residence, get a job and stay sober."

State facilities like Hunt spend an average of \$52.26 per inmate a day, more than twice the per diem at parish jails.

—Beth Reinhard

tive package.

Proponents of an aggressive overhaul of the corrections system say curtailing the prisoner population is critical to ensuring the state has enough resources for programs that keep ex-inmates out.

The \$24.39 per diem—

which hasn't budged since 2008—leaves little money, if any, for rehabilitation programs. "Lock and feed," Louisiana Corrections Secretary Jimmy LeBlanc calls it. "They basically spend a few years up there learning how to be a better criminal."

Republican Wins Montana Race

BY JANET HOOK
AND REID J. EPSTEIN

Republicans won a hotly contested House race in Montana on Thursday, holding a seat despite the GOP candidate facing an 11th-hour charge of assaulting a reporter.

Greg Gianforte, a tech entrepreneur and political novice, was declared the winner over Democrat Rob Quist by the Associated Press.

It was a disappointment for Democrats, who have been pouring money and energy into a series of House special elections that they have seen as an opening to make electoral gains from resistance to President Donald Trump.

While Mr. Gianforte was favored from the outset, Republican groups showed far more urgency in investing in the race than did Democrats.

The Quist and Gianforte campaigns raised similar amounts of money—helped by a \$1.5 million loan from Mr. Gianforte to his campaign—but there was far more GOP spending by third-party groups. Of the \$6.75 million in outside spending on the race, \$5 million was to either boost Mr. Gianforte or attack Mr. Quist, according to an analysis of Federal Elections Commission data done by Michael Beckel of Issue One, a bipartisan organization dedicated to reducing the influence of money in politics.

The victory allows Republicans to keep the House seat, which they have held for the past 20 years. The seat was vacated by Ryan Zinke, who left to take the position as Mr. Trump's interior secretary.

But they are now left with the political headache of welcoming Mr. Gianforte to the Capitol with a charge pending



Voters Thursday in Missoula, Mont. Republican Greg Gianforte won the U.S. House special election.

and a court date coming by June 7. If convicted of the charge of misdemeanor assault, Mr. Gianforte faces a fine of as much as \$500, up to six months in jail, or both.

As voters were going to the polls in Montana, Republicans in Washington, including

Rep. Paul Ryan of Wisconsin, condemned Mr. Gianforte's behavior. New Jersey Rep. Leonard Lance, a Republican facing a tough re-election fight in 2018, made a point of tweeting Thursday that he believed "strongly" in a free

press "and have always been respectful & accessible to the press corps."

There is no mechanism for Mr. Ryan to block Mr. Gianforte from joining Congress or the House GOP conference, former top aides to past GOP speakers said Thursday.

Political strategists across the country had been watching the Montana House race as a potential test of Mr. Trump's popularity and the parties' strengths as they head into the 2018 midterm elections.

But the national political significance of the Montana outcome is muddled by Wednesday's imbroglio, which tarnished Mr. Gianforte and gave Mr. Quist a boost just as polls showed the race narrowing. Republicans had been dismayed that, even before the assault charge, the race had been much closer than expected in a state that Mr.

Trump won by more than 20 percentage points in 2016.

But Mr. Gianforte began the race as a weakened candidate, having lost the governor's race in 2016 in a campaign that portrayed him as an out-of-state millionaire. Still, the Republican remained ahead of Mr. Quist in most polls, if only by single-digit margins.

That lead was jeopardized when the Gallatin County sheriff on Wednesday night charged Mr. Gianforte with misdemeanor assault after he allegedly assaulted a reporter, Ben Jacobs of the *Guardian*, who had asked him about the GOP health-care bill at his campaign headquarters.

A Gianforte spokesman, before the charge was filed, in a statement suggested Mr. Jacobs had provoked the violence. But that account was contradicted by a Fox News reporter in the room.

Senate GOP Wrestles With the Health Bill

BY KRISTINA PETERSON
AND STEPHANIE ARMOUR

The Congressional Budget Office's latest analysis of the health-care overhaul bill passed by House Republicans underscored for their GOP colleagues in the Senate that they need a different version.

They just don't know yet what it will look like.

"We're not going to pass that bill in the Senate," Sen. Marco Rubio (R., Fla.) said of the legislation passed by the House earlier this month dismantling and replacing much of the Affordable Care Act. But the Senate's bill, he added, is a "work in progress."

Senate Republicans said aides plan to begin drafting parts of their health-care bill next week, when lawmakers are in their home states for a weeklong Memorial Day recess. But they said there was little consensus yet on major policy planks for how they will overhaul the system.

"Staff will start putting together some language we can look at when we return," Sen. John Cornyn of Texas, the second-ranking Senate Republican, said Thursday.

Senators' eagerness to embrace major changes is likely to depend on what they confront at home. Supporters of the 2010 health-care law are planning rallies and airing ads attacking Republicans for the projected pitfalls of the House bill, with some new fuel supplied by Wednesday's report from the nonpartisan CBO.

The budget office estimated that the House GOP bill would reduce the deficit by \$119 billion over 10 years, but produce 23 million more uninsured

people than the ACA by 2026. The CBO also predicted that while premiums could go down for many healthy people under the bill, people with pre-existing conditions in states that opt out of some ACA requirements could face "extremely high" premiums, even with additional federal funding included in the bill.

House Speaker Paul Ryan (R., Wis.) said Thursday the CBO estimate didn't fully factor in the flexibility states would be given to search for new ways to support their sickest residents. "The states will also do some of the lifting," he said. "We will have federal resources and state resources, which, taken together, will improve the situation."

However, the CBO report specifically said the bill's funding for states to help people with pre-existing conditions wouldn't significantly lower premiums, analysts said.

Democrats predicted that Republicans would have a tough time selling their health-care plans to constituents in the wake of CBO's latest assessment. "Many of these people have lived with pre-existing conditions for such a long period of time, they can remember what it was like before the passage of the Affordable Care Act," said Sen. Dick Durbin (D., Ill.).

Republican senators have stuck to their message that the current health law is broken and needs to be repealed.

"The Obamacare status quo is unsustainable," Senate Majority Leader Mitch McConnell (R., Ky.) said on the Senate floor Thursday.

—Louise Radnofsky contributed to this article.

U.S. NEWS

FBI Holds Memos for Now

BY BYRON TAU

WASHINGTON—The FBI told Congress that it would withhold for now memos written by former Director James Comey concerning his interactions with President Donald Trump while the bureau weighs how the appointment of a special counsel will affect investigations under way on Capitol Hill.

The development on Thursday reflects the delicate dance, and potential collisions, now likely to occur since the recent appointment of Robert Mueller as special counsel to investigate Russian interference in the 2016 election, while a number of congressional committees press ahead with their own inquiries on the same subject.

"In light of this development and other considerations, we are undertaking appropriate consultation to ensure all relevant interests implicated by your request are properly evaluated," a senior official wrote to the House Oversight Committee, which had requested the memos.

The Federal Bureau of Investigation promised to update the committee after that evaluation was complete.

Mr. Comey, who was fired by Mr. Trump this month, reportedly wrote in one memo

Lieberman Takes Self Out of Running

Former Sen. Joe Lieberman, once a top contender for Federal Bureau of Investigation director, this week withdrew from consideration in a letter to President Donald Trump, citing the appearance of a conflict of interest.

The former Connecticut senator and Democratic vice-presidential candidate works at the same law firm as Marc Kasowitz, whom Mr. Trump has retained to serve on a team of private attorneys representing him in the special-counsel probe of Russia's alleged meddling in the 2016 election.

that Mr. Trump asked him to end a probe of his former national security adviser. Mr. Trump has denied Mr. Comey's account.

Mr. Trump has rejected suggestions that he, his campaign or his associates have any ties to Russia. The Kremlin has denied interfering in the U.S. election.

Rep. Jason Chaffetz, the Republican chairman of the House Oversight Committee, said the panel's efforts would "complement" the special prosecutor's and urged the FBI

"I do believe it would be best to avoid any appearance of a conflict of interest, given my role as senior counsel in the law firm of which Marc is the senior partner," Mr. Lieberman wrote in the letter dated Wednesday, a copy of which was reviewed by The Wall Street Journal.

A senior administration official last week described Mr. Lieberman as the leading contender to serve as FBI director, and Mr. Trump—asked whether the former senator was a top choice—said he was.

The White House didn't return a request for comment on Mr. Lieberman's letter.

Mr. Lieberman's withdrawal from consideration is likely to prolong the process of selecting

a new FBI chief, after Mr. Trump this month fired then-Director James Comey.

Mr. Lieberman, 75 years old, served as attorney general in Connecticut before his election to the Senate in 1988 but has no federal law-enforcement experience, unlike past FBI directors.

Last week, the president met with three other contenders for the FBI post: acting Director Andrew McCabe, former FBI official Richard McFeely and former Oklahoma Republican Gov. Frank Keating.

Also last week, two other contenders withdrew from consideration: Sen. John Cornyn (R, Texas) and Rep. Trey Gowdy (R, S.C.).

—Rebecca Ballhaus



A panel in Congress is asking for memos written by James Comey.

SHAWN THOM/EUROPEAN PRESSPHOTO AGENCY

to furnish the documents.

"Whereas the Special Counsel is conducting a criminal or counterintelligence investigation that will occur largely behind closed doors, the Committee's work will shed light on matters of high public interest, regardless of whether there is evidence of criminal conduct," Mr. Chaffetz, of Utah, wrote to the bureau in response to its letter Thursday.

Mr. Chaffetz renewed his request for the FBI memos, asking for them by June 8.

The committee could issue a subpoena for the memos but such an action is typically a last resort. Congressional subpoenas are also historically difficult to enforce and often result in years of litigation.

Several overlapping investigations are under way into alleged Russian interference in the 2016 presidential election. The FBI is conducting a counterintelligence probe into whether any associates of Mr. Trump coordinated with Russia, an effort that is now being overseen by Mr. Mueller.

Kushner to Cooperate in Any Probe of Russia Meetings

WASHINGTON—An attorney for senior White House aide Jared Kushner said Thursday that Mr. Kushner would coop-

erate with any investigations into meetings he had with Russians, amid a federal probe into Russian interference in the 2016 presidential election.

Mr. Kushner's attorney, Jamie Gorelick, said in a state-

ment: "Mr. Kushner previously volunteered to share with Congress what he knows about these meetings. He will do the same if he is contacted in connection with any other inquiry."

Mr. Kushner hasn't been contacted by the Federal Bureau of Investigation, people familiar with the inquiry said. One person familiar with the investigation said Mr. Kushner's contacts with Russians have been scrutinized by federal investigators for months.

The FBI is interested in anyone associated with the Trump campaign who had contact with the Russians. FBI agents would eventually like to speak to Mr. Kushner about his meetings in December with the Russian ambassador to the U.S. and a banker, and any other interactions he may have had with Russians linked to intelligence services, but officials haven't taken any formal steps to interview him, according to a person familiar with the probe.

Any such step would require the approval of Special Counsel Robert Mueller, and likely would come after agents have gathered more information and have a better sense of the probe's scope.

Mr. Kushner isn't considered a target or a focus of the inquiry, according to the person. Mr. Kushner's meetings with two key Russians have drawn the interest of agents conducting a counterintelligence probe to determine the extent of those efforts.

The White House previously has said that Mr. Kushner's meetings stemmed from his role during the presidential transition period as the main "point of contact" for foreign government officials.

Mr. Kushner, who is married to President Donald Trump's elder daughter, Ivanka, holds the title of senior adviser to the president. He agreed earlier this year to speak to the Senate Intelligence Committee, becoming the first White House official to do so.

During the transition period, Mr. Kushner met with the head of a state-run bank that has faced U.S. sanctions. He also met with Sergei Kislyak, the Russian ambassador to the U.S.

Mr. Kushner had been asked by the Senate Intelligence Committee to discuss his contact with the bank executive with a Senate committee probing Russia's alleged interference in the 2016 presidential election, according to both White House and congressional officials.

SiriusXM
SATELLITE RADIO

Music. Sports. Entertainment. News.

2017 ALG PRE-OWNED VALUE AWARDS

Affordable to buy, affordable to own. Decision made.

Come in now during the Mercedes-Benz Certified Pre-Owned Sales Event. With a Certified Pre-Owned Mercedes-Benz, driving the car of your dreams is a lot closer than you think. Each of our Certified Pre-Owned vehicles undergoes a rigorous inspection process, and now, get added confidence with our unlimited mileage warranty, delivering continued assurance for up to three years.* Now through May 31st, you can also receive two years of complimentary pre-paid maintenance** on select models. Plus, enjoy three months' SiriusXM Satellite Radio.† Available only at your authorized Mercedes-Benz dealer. Visit today for exceptional offers. MBUSA.com/CPO

The Mercedes-Benz
Certified Pre-Owned
Sales Event

**Unlimited Mileage Warranty
Two Years' Pre-Paid Maintenance**

Now through May 31st.



U.S. NEWS

Hacker 'Guccifer' Aided GOP Consultant

By ALEXANDRA BERZON
AND ROB BARRY

The hacking spree that upended the presidential election wasn't limited to Democratic National Committee memos and Clinton-aide emails posted on websites. The hacker also privately sent Democratic voter-turnout data to a Republican political operative in Florida named Aaron Nevins.

Learning that hacker "Guccifer 2.0" had tapped into a Democratic committee that helps House candidates, Mr. Nevins wrote to the hacker to say: "Feel free to send any Florida based information."

Ten days later, Mr. Nevins received 2.5 gigabytes of Democratic Congressional Campaign Committee documents, some of which he posted on a blog called HelloFLA.com that he ran using a pseudonym.

Soon after, the hacker sent a link to the blog article to Roger Stone, a longtime informal adviser to then-candidate Donald Trump, along with Mr. Nevins' analysis of the hacked data.

Mr. Nevins confirmed his exchanges after The Wall Street Journal identified him first as the operator of the HelloFLA blog and then as the recipient of the stolen DCCC



GOP operative Aaron Nevins asked hacker 'Guccifer 2.0' for Democratic data and was sent some.

data. The Journal also reviewed copies of exchanges between the hacker and Mr. Nevins. That the obscure blog had received hacked Democratic documents was previously known, but not the extent of the trove or the blogger's identity.

"I just threw an arrow in the dark," Mr. Nevins said in an interview, adding he set up a Dropbox account so whoever was using the Guccifer 2.0 name could send large amounts of material. Later, going through what the hacker sent as someone who "actually knows what some of these

documents mean," the GOP consultant said he "realized it was a lot more than even Guccifer knew that he had."

The episode shows how the hacker's activities extended to exposing Democrats' get-out-the-vote strategies in swing states and informing a Trump ally of hacked data during the national campaign.

U.S. officials believe Guccifer 2.0 is linked to Russian military intelligence. Guccifer 2.0 denies that.

A Federal Bureau of Investigation counterintelligence inquiry and congressional committees are looking into

alleged Russian interference in the 2016 election. The Kremlin denies any election meddling. Mr. Stone has come under scrutiny, people familiar with the matter said.

In an interview, Mr. Stone denied any involvement with the Russians related to elections and said he hadn't been contacted by the FBI. He confirmed that Guccifer 2.0 sent him a link to the HelloFLA blog article last year but said he didn't share any hacked material from it with anyone.

DCCC documents sent to Mr. Nevins analyzed specific Florida districts, showing how

'This Is Probably Worth Millions'

Florida GOP consultant Aaron Nevins said he reached out to 'Guccifer 2.0' last Aug. 12 after seeing an article about a hack of the Democratic Congressional Campaign Committee. The hacker had invited journalists to send questions via Twitter direct messages, which Mr. Nevins did.

Mr. Nevins advised the hacker that releasing fresher data would have more impact.

After studying the voter-turnout models, Mr. Nevins told the hacker, "Basically if this was a war, this is the map to where all the troops are deployed." At another point, he told the hacker, "This is probably worth millions of dollars."

"Hmmm," Guccifer 2.0 said. "Ok I owe me a million."

Democrats, Mr. Nevins wrote, "spent millions probably to figure out who these people are that are conducive to their message and now it's exposed for the other side."

—Alexandra Berzon and Rob Barry

It is impossible to know whether the hack affected the outcome of any elections.

Mr. Nevins said he hasn't been contacted by any investigators about last year's political hacking.

He isn't convinced the Russians were behind it, Mr. Nevins said, but even if they were, it doesn't matter to him because the agenda of the hackers seemed to match his own.

"If your interests align," he said, "never shut any doors in politics."

—Shane Harris and Christopher S. Stewart contributed to this article.

WASHINGTON WIRE

TRANSPORTATION SECURITY

Plan Would Cut 'Soft Targets' Patrols

President Donald Trump's 2018 budget blueprint would cut transportation security grants that support patrols of "soft targets" like New York City's Penn Station and Washington's Union Station.

In the document released this week, the Trump administration proposed cutting by more than half a \$100 million grant program that supports security operations for passenger transportation, \$10 million of which funds security at Amtrak. The bulk of the grants in recent years have paid for security measures at the Metropolitan Transportation Authority, which runs New York City subways.

Police in Manchester, as well as officials in London, said the unauthorized disclosure of information was dismaying to families of the dead and injured and could hamper the investigation and compromise the prosecution of any accomplices to the suspected bomber, Salman Abedi.

The Times defended the publication of the photos and other information gathered by British authorities.

"Our mission is to cover news and inform our readers," the newspaper said, describing its attack coverage as "comprehensive and responsible."

—Del Quentin Wilber and Aruna Viswanatha in Washington contributed to this article.

Government officials and safety regulators have warned that the existing funding was already too low to meet the threats against some of the nation's most crowded transportation networks.

A spokesman for the White House Office of Management and Budget didn't respond to a request for comment.

—Ted Mann and Ben Kesling

BUDGET

Officials' Views On Tax Plan Differ

Senior Trump administration officials split with each other publicly Thursday on a core feature of the president's tax plan.

White House budget director Mick Mulvaney told a Senate committee that the administration's tax plan doesn't bank on any revenue stemming from faster economic growth.

Four floors below that hearing, Treasury Secretary Steven Mnuchin gave a contradictory answer to a different Senate panel, insisting that the administration's tax plan will partly pay for itself with economic growth.

The open contradiction between two top economic advisers to President Donald Trump showed just how unsettled their tax agenda is, even as Republicans say they will be able to complete a historic revamp of the U.S. tax system by the end of 2017.

—Richard Rubin

SECRETARY OF STATE

Tillerson to Visit London After Attack

Secretary of State Rex Tillerson will travel to London on Friday to offer condolences for this week's terrorist attack on a concert in Manchester, the U.S.

State Department and the U.K.'s Foreign Office said Thursday.

Mr. Tillerson, who has been accompanying President Donald Trump on his first international trip, will break off to personally "reaffirm America's commitment to the special relationship between the United States and the United Kingdom and our solidarity in defeating terrorism," said Heather Nauert, the State Department spokeswoman.

—Felicia Schwartz

LEAK

Continued from Page One

House officials say have come from intelligence officials set on undermining his presidency. The president said leaking sensitive information has been happening for a long time and vowed on Thursday to "get to the bottom of this."

For months, top White House officials and the president have wanted to formally look into government leaks, but it wasn't until the U.K. complained that Mr. Trump decided to do so, a senior administration official said.

"It's something that we've been talking about for a while," the official said. "A lot of people have been really frustrated" with government leaks.

Some White House officials believe the British government's complaints give Mr. Trump an opening to shift the

public focus from the content of leaked information onto those leaking it.

Before Thursday, Mr. Trump's efforts to spotlight how leaks of sensitive information threaten national security have gained little traction, in part because many of the leaks have pertained to the federal investigation into his presidential campaign's possible ties to Russia. The tension with the U.K. over intelligence sharing in the wake of a terrorist attack could shine a different light on the issue, one that doesn't make it seem personal to Mr. Trump.

"Leaks of sensitive information pose a grave threat to our national security," Mr. Trump said in a statement on Thursday from Brussels, as the White House moved to quell new tensions with a key U.S. ally. Mr. Trump called such disclosures "deeply troubling" and threatened to prosecute anyone responsible for them.

Attorney General Jeff Ses-

sions said the Justice Department "will make every effort to put an end" to unauthorized disclosures and had "already initiated appropriate steps to address the rampant leaks."

Mr. Sessions has recused himself from the probe into Russia's role in the Trump campaign, which is being run by a special counsel, former

The U.K.'s Theresa May raised the issue of leaks with President Trump.

FBI Director Robert Mueller.

A Justice Department spokesman said he wouldn't comment on "the existence or nonexistence of investigations." In April, Mr. Sessions said the agency had stepped up efforts against leaks and would seek prosecutions.

"Whenever a case can be made, we will seek to put some people in jail," he said then.

The U.K. has become increasingly angry over media reports revealing details of the investigation, with British police saying leaks by U.S. officials had eroded trust between the two partners.

In his statement, Mr. Trump stressed the special ties between the U.S. and U.K., saying there was no relationship the U.S. cherished more.

A focus of U.K. outrage over leaks was the publication by the New York Times on Wednesday of official police photographs taken at the entrance hall of Manchester Arena where Monday's blast occurred. The photos showed shrapnel and what the newspaper said were the remnants of a backpack, a switch and a battery that may have been used in the bombing.

Manchester police temporarily stopped sharing infor-

mation on the attack with the U.S. out of concern over leaks, a U.K. official said. By Thursday evening, they resumed after receiving fresh assurances from the U.S., according to Mark Rowley, the U.K.'s top counterterrorism policeman.

Police in Manchester, as well as officials in London, said the unauthorized disclosure of information was dismaying to families of the dead and injured and could hamper the investigation and compromise the prosecution of any accomplices to the suspected bomber, Salman Abedi.

The Times defended the publication of the photos and other information gathered by British authorities.

"Our mission is to cover news and inform our readers," the newspaper said, describing its attack coverage as "comprehensive and responsible."

—Del Quentin Wilber and Aruna Viswanatha in Washington contributed to this article.

BAN

Continued from Page One

to seek emergency intervention from the Supreme Court in hopes of getting the justices to reinstate the travel restrictions quickly while the case continues. Such a request could provide an early indication of what the court thinks of the case, but the administration would have to meet a high legal burden to get such emergency relief.

Alternatively, the administration could petition the Supreme Court through the normal legal process, but the justices aren't scheduled to hear oral arguments again until October unless the court agrees to make special accommodations.

Neither the White House nor the Justice Department indicated Thursday how quickly the administration plans to move in seeking high court intervention.

The Fourth Circuit ruling affirmed a Maryland judge's decision in March that blocked the president from implementing a 90-day ban on travel for people from Iran, Libya, Somalia, Sudan, Syria and Yemen.

Mr. Trump said the restrictions, signed March 6, were needed to protect the country from terrorist threats while U.S. officials reviewed vetting procedures for travelers from those countries.

"These clearly are very dangerous times, and we need every available tool at our disposal to prevent terrorists from entering the United States and committing acts of bloodshed and violence," White House spokesman Michael Short said after Thursday's ruling.

Challengers to the executive order alleged the GOP president was attempting to make good on his campaign statements supporting a total and complete shutdown of Muslims entering the U.S." And they said the temporary ban laid the groundwork for a longer ban down the line.

The Constitution's prohibition on actions disfavoring or



Protesters rallied against the travel ban at San Diego International Airport on March 6, the day the revised restrictions were signed.

condemning any religion is a fundamental protection for all of us, and we can all be glad that the court today rejected the government's request to set that principle aside," said Omar Jadwat, a lawyer with the American Civil Liberties Union who argued the case on behalf of several individuals and organizations that opposed the president's order.

Courts evaluating Mr. Trump's order have been grappling with how much weight, if any, to give statements he made before he was elected and since.

When the president signed his initial, broader travel ban on Jan. 27—which he later withdrew because of adverse court rulings—he read the title of the executive order, Protection of the Nation from Foreign Terrorist Entry Into the United States, and said, "We all know what that means." That comment has been subject to different interpretations.

Rudy Giuliani, a former New York City mayor who has served as a surrogate for Mr. Trump's campaign, publicly said that the president had been looking for a legal way to effectuate his campaign promise to ban Muslims.

Mr. Trump's public comments have been the central focus of the litigation. Even the president's detractors concede his executive order would be on firmer legal ground without his earlier comments about Muslims.

The majority of Fourth Circuit judges concluded they couldn't ignore Mr. Trump's comments and those of his associates when evaluating the White House policy. Such statements suggest the purpose of the executive order "is to effectuate the promised Muslim ban," Chief Judge Roger Gregory wrote.

The president has broad power to deny people entry to

the U.S. "but that power is not absolute. It cannot go unchecked when, as here, the president wields it through an executive edict that stands to cause irreparable harm to individuals across this nation," the judge wrote.

Judge Gregory wrote that the president's order "speaks with vague words of national security, but in context drips with religious intolerance, animus and discrimination."

The Fourth Circuit moved swiftly in issuing the ruling, following a May 8 oral argument in which a majority of judges expressed concerns about the travel ban.

In recent years, the Fourth Circuit—based on judicial appointments by former President Barack Obama, a Democrat—has become a more liberal court. Most of the judges who considered the case were appointed by Democratic presidents. Three of the court's more

conservative judges, all Republican appointees, dissented.

Judge Paul Niemeyer, who was appointed by former President George H.W. Bush, wrote in Thursday's dissenting opinion that the court's ruling was particularly inappropriate on a matter of national security, adding that the president provided ample nonreligious justifications for his order. The court's decision to base its ruling largely on Mr. Trump's campaign statements "is fraught with danger and impracticality," he wrote.

In their dissent, the judges appeared to invite Supreme Court intervention, writing the Fourth Circuit's approach, unless overturned, "will become a sword for plaintiffs to challenge facially neutral government actions, particularly those affecting regions dominated by a single religion."

—Laura Meckler contributed to this article.

WORLD NEWS

President, EU Leaders Air Differences

Meeting in Brussels brings together advocates of competing world visions

By LAURENCE NORMAN
AND WILLIAM HOROBIN

BRUSSELS—President Donald Trump held his first meetings with French President Emmanuel Macron and senior European Union leaders on Thursday here, the capital of a bloc whose future he has questioned and whose opponents he has feted.

The Brussels meetings bring together champions of two competing world visions and leaders who have used each other as foils to build domestic support. After the meetings, it was clear many critical differences remained.

"There are subjects we don't have the same reading of, but we were able to speak in a very direct way," Mr. Macron said after he and Mr. Trump had lunch together.

Before their lunch, the French and U.S. leaders engaged in a long handshake, which saw Mr. Macron keep a grip on Mr. Trump's hand as the latter apparently tried to pull away. Later, it was Mr. Trump's turn to take control, pulling Mr. Macron in close to him when the two shook hands at a North Atlantic Treaty Organization gathering.

Mr. Trump was a vocal supporter of Britain's decision in



President Donald Trump, right, and President of the European Council Donald Tusk in Brussels on Thursday.

FRANCOIS LENOIR/REUTERS

June 2016 to leave the EU, seeing in it the kind of antiesablishment, nationalist revival he was tapping into for his own presidential bid.

Shortly before taking office, he said the EU was largely a "vehicle for Germany." While he stayed officially neutral in the recent French presidential election, he hailed Mr. Macron's rival, nationalist leader Marine Le Pen, as the strongest on borders and security.

Europe's leaders have responded in kind. European Commission President Jean-Claude Juncker threatened to campaign for the independence of Ohio if Mr. Trump continued supporting the EU's breakup.

Mr. Macron challenged the U.S. president's stance on immigration, trade and climate change during his campaign.

Yet officials on both sides

said they were looking to bolster trust. Failure to do so could have repercussions across many issues, including the Paris climate accord, the Iranian nuclear deal and the fight against terrorism.

After the meeting with Mr. Trump, EU officials said the two sides had agreed to tighten coordination on trade issues, including responding to unfair practices by third countries, such as China.

And at his meeting with Mr.

Macron, Mr. Trump denied backing Ms. Le Pen during the French election campaign, according to a French official present. At one moment, the U.S. president told Mr. Macron "you were my guy," the French official said.

Yet there was little effort to mask continued differences. European Council President Donald Tusk said while there was agreement on many questions, "some issues remain

open, like climate and trade.

"And I am not 100% sure that we can say today—we, meaning Mr. President Trump and myself—that we have a common position, a common opinion about Russia," he said.

Mr. Juncker described the meeting with Mr. Trump as cordial and constructive. But he also seemed a little wary of the U.S. leader. Asked about his impressions of Mr. Trump, Mr. Juncker said, "I hope he hasn't sent a tweet about me yet."

Mr. Trump's lunch with Mr. Macron was "extremely frank and direct," the French leader said, covering a broad range of subjects, including Thursday afternoon's NATO summit and the weekend meeting of the Group of Seven leading industrialized nations.

Mr. Macron pledged during the presidential campaign to ramp up France's military spending to reach the NATO target of 2% of economic output by 2025, a demand Mr. Trump called a bare minimum later on Thursday.

The future of the Paris climate agreement was another issue on which they locked horns.

Mr. Trump has previously threatened to jettison U.S. adherence to the deal. At lunch with Mr. Macron, he said the U.S. and France have "differences but not disagreement," French officials said.

—Valentina Pop and Carol E. Lee contributed to this article.

Europeans, Erdogan Patch Up Relations

BY EMRE PEKER



GEERT VANDEN WUGGERT/ASSOCIATED PRESS

Flags of NATO member countries fluttered during a handover ceremony in Brussels on Thursday.

Montenegro to Join Alliance on June 5

tary-General Jens Stoltenberg deposits final ratification documents in Washington.

U.S. and NATO officials have accused Russia of mounting a campaign in Montenegro to try to block it from joining the alliance. Russian officials deny they have interfered in the country but say they oppose NATO expansion.

—Julian E. Barnes

BRUSSELS—Montenegro will become the 29th member of NATO on June 5, the alliance announced, in what some officials say will serve as a check on Russia. The accession will become official when Secre-

many years lost," Mr. Trump said. "If NATO countries made their full and complete contributions, then NATO would be even stronger than it is today."

Under a pledge NATO members made in 2014, allies committed to "aim to move towards" spending 2% of their gross domestic products on defense by 2024. While European allies regard the NATO guideline as a rough goal to move toward, the U.S. under Mr. Trump has considered it a much firmer requirement.

Had all NATO members spent 2% on defense last year, the alliance would have another \$119 billion. Only five of NATO's 28 members spend above 2% on their military, though three other countries are due to hit the target by next year.

NATO allies reject Mr. Trump's contention that a bill

memorial, a portion of the World Trade Center destroyed in the Sept. 11 terror attacks, devoted to Article 5.

Mr. Trump on Thursday said allies "owed massive amounts of money" for past years and they have failed to live up to the alliance spending guideline of 2% of gross domestic product.

"We have to make up for

those sanctions that were enacted by the U.S. in December by former President Barack Obama after U.S. intelligence officials concluded Russia had used cyberattacks to intervene in the election.

Those sanctions were adopted a month before Mr. Trump took office, and he has since suggested they could be lifted as part of deal making with Russian President Vladimir Putin.

BRUSSELS—Top European Union leaders and Turkish President Recep Tayyip Erdogan, meeting for the first time in almost two years, stepped back from what had appeared to be imminent confrontation and agreed to reset relations.

Mr. Erdogan, European Council President Donald Tusk and European Commission President Jean-Claude Juncker on Thursday agreed to less political finger-pointing, while boosting cooperation in areas such as economic integration and the refugee crisis, Turkish and EU officials said.

The meeting followed a recent hardening of positions on both sides. Turkey threatened to abandon 12 years of talks on joining the bloc and sever its longstanding partnership with Brussels. The EU considered forcing Mr. Erdogan's hand on an in-or-out decision, while accusing Ankara of drifting further away from European ideals.

Now, the EU and Turkey say they will seek to move past the diplomatic and political crises of recent years, officials said. It won't be simple.

The push to bolster ties comes as Brussels prepares to dole out the last portion of €3 billion (\$3.4 billion) earmarked to aid Syrian refugees in Turkey, which helped curb Europe's worst migration crisis since World War II.

Ankara wants visa-free travel for Turks to the EU and both parties want to revamp a two-decades-old customs union to expand trade links.

"We're going to work together going forward, that's the general feeling," a Turkish diplomat said. "We shouldn't expect anything more than that."

Mr. Tusk said on Twitter that the leaders had "discussed the need to cooperate."

But in a sign of the challenges ahead, he added that EU concerns about human rights in Turkey were at the center of Thursday's talks.

Mr. Erdogan has been ruling via decree since thwarting a coup attempt in July 2016. After the failed putsch, the government purged more than 100,000 bureaucrats, opposition politicians, academics and journalists—nearly half of them jailed. In April, the president clinched a tight—and highly contested—referendum victory to expand his powers.

—Valentina Pop contributed to this article.

Obama, in Germany, Promotes a Strong Global View

Former President Barack Obama endorsed foreign aid and defended drone warfare before a crowd of tens of thousands in the German capi-

By Anton Troianovski
in Berlin
and Todd Buell in
Baden-Baden, Germany

tal, but left unmentioned his successor, who was in neighboring Belgium for an international summit.

"In this new world that we live in, we can't isolate ourselves," Mr. Obama said in a panel discussion alongside German Chancellor Angela Merkel at a Protestant festival on Thursday. "We can't hide behind a wall."

Mr. Obama's remark backing

foreign aid—which President Donald Trump wants to cut—and criticizing a wall—which Mr. Trump wants to build—underscored the contrast between America's previous and current presidents, both touring Europe this week. While Mr. Obama remains popular in many European countries, including Germany, most people here disapprove of Mr. Trump.

Speaking in the evening in the ritzy German city of Baden-Baden, the former president stressed the shared values and interests between the U.S. and Europe.

"If a unified peaceful, pluralistic, free-market Europe begins to doubt itself it begins to question the very real gains that have been made over the last several decades, then we

cannot expect the progress that is just now taking hold in many places around the world to continue," he said.

The U.S. and Europe serve as partners on the world stage

and "the values that we care about in promoting women's rights, in promoting education, in promoting justice and anti-corruption measures and transparency and the rule of law,

those are things that if we do not promote them, they don't get promoted," he said as he accepted the German Media Prize. "So we're going to have to work together and we need a strong Europe to do that."

As Ms. Merkel and other top European leaders prepared to meet with Mr. Trump, European policy makers are still trying to grasp the new direction of U.S. foreign policy. They hope to convince Mr. Trump of the importance of the trans-Atlantic alliance and to keep the U.S. in the Paris Agreement meant to curb climate change—a deal in which Mr. Obama played a key role.

Ms. Merkel also didn't mention Mr. Trump, though she was to see him later Thursday at the NATO summit in Brussels.



Ms. Merkel and Mr. Obama at the gathering in Berlin on Thursday.

AXEL SCHMIDT/REUTERS

WORLD NEWS

French Far-Right Reconsiders Euro Before June Polls

BY WILLIAM HOROBIN
AND NOEMIE BISSEURBE

PARIS—Opposition to the euro is wavering inside France's far-right National Front party because of infighting over whether its signature policy is to blame for Marine Le Pen's failed presidential bid.

Ms. Le Pen's vow to withdraw France from the euro underpinned a presidential campaign that led her to the runoff in the country's two-round election. Her stinging loss to Emmanuel Macron, who is unabashedly pro-European, has left party bosses pointing fingers.

This week, Ms. Le Pen waded into the debate, expressing concern the antieuro stance might hurt the National Front's chances going into legislative elections on June 11 and 18.

In an attempt to quell tensions ahead of the vote, Ms. Le Pen said the party would review its position on the European Union's single currency after the elections.

"This return to monetary sovereignty worries French people," Ms. Le Pen, who is running for a seat in the National Assembly, told French radio Monday. "It will be a debate. We will have to open this discussion."

The party's soul-searching

is a measure of how popular the euro remains in France despite criticism from economic nationalists and populists across Europe.

Ms. Le Pen built her presidential campaign around the argument that the currency was stripping France of its economic independence, saddling the country with low growth and high unemployment.

Since the May 7 election, fissures within the party over the euro have risen to the surface.

Marion Maréchal-Le Pen, Ms. Le Pen's 27-year-old niece, said she was quitting politics two days after the vote. One of two National Front-affiliated lawmakers currently in parliament, Ms. Maréchal-Le Pen had questioned the party's antieuro stance.

Her announcement, which cited reasons both political and personal, shocked many inside the party, who saw Ms. Maréchal-Le Pen as a future leader of the National Front.

"We need to listen to the fact that French people were not convinced by our arguments," said Nicolas Bay, the party's secretary-general.

Other senior figures, however, say dropping the antieuro policy would unravel the party's economic program of recovering full national sovereignty from the EU.

Le Pen's Election Challenge

Projections show Marine Le Pen's National Front will struggle to gain seats from other parties in legislative elections despite her coming in second in the presidential vote.

En Marche	280-300
Les Républicains	150-170
Socialist Party	40-50
Indomitable France	20-25
National Front	10-15

Source: OpinionWay/ORPI poll for Les Echos and Radio Classique of 1,997 people registered on the electoral rolls conducted May 16-18
THE WALL STREET JOURNAL.

Trump Boosts Saudi Position

MIDDLE EAST CROSSROADS
By Yaroslav Trofimov

Saudi Arabia has emerged from President Donald Trump's visit with a geopolitical coup: The trip's elaborate choreography validated the kingdom's longstanding—and controversial—desire to be seen as the leader of the Muslim world.

The imagery spoke for itself. Heads of dozens of Muslim nations stood arrayed behind Mr. Trump and his host, King Salman, after the American president showered the kingdom with effusive praise and embraced Riyadh's drive to counter Iran.

"The biggest winner is Saudi Arabia. Donald Trump has basically bought the strategic vision of Saudi Arabia and he has crowned Saudi Arabia as the nerve center of the Arab and Islamic worlds," said Fawaz Gerges, a professor of Middle East studies at the London School of Economics. "The Saudis are elated and they have the right to be elated."

This, of course, is an unusual state of affairs: Saudi Arabia, though controlling Islam's two holiest mosques and benefiting from massive oil wealth, has never been the region's intellectual, political or even religious fulcrum.

The kingdom doesn't even make the list of the top 10 most-populous Muslim nations. And its ultrconservative official creed is viewed with suspicion by religious



President Donald Trump and the first lady, Melania Trump, waved before leaving Riyadh on Monday. SAUDI ROYAL PALACE/AGENCE FRANCE PRESSE/GETTY IMAGES

authorities in most fellow Sunni Muslim nations, let alone in Shiite Iran.

"As much as Riyadh might like it, there is no Muslim Vatican, and if it were, it wouldn't be Saudi," said H.A. Hellyer, a scholar at the Atlantic Council.

Enabling Saudi ambitions to regional leadership is also not something traditionally viewed as being in the interests of the U.S. and the West. After all, virtually all of the other Muslim nations represented at the Riyadh summit with Mr. Trump enjoy a higher degree of political and religious freedom than their Saudi hosts. For many of them, the influence of the Saudi brand of Islam has long been a destabilizing factor.

It is true that Saudi Arabia today isn't the same kingdom that produced 15 of the 19 terrorists who attacked America on Sept. 11, 2001. The kingdom's powerful Deputy Crown Prince Mohammed bin Salman, who has nurtured particularly close ties with the Trump administration, is pursuing

small but important steps toward liberalization.

But Saudi Arabia remains one of the planet's most repressive societies.

The afterglow of the Trump visit won't necessarily last. Behind the facade of Muslim unity displayed in

Enabling the kingdom's regional ambitions is a departure for the U.S.

Riyadh, cracks are impossible to hide.

First of all, there is the deepening sectarian divide: No prominent Shiite Muslim leader attended the summit. Lebanon was represented by its Sunni prime minister and Shiite-majority Iraq by its largely ceremonial Kurdish Sunni president.

Turkey's President Recep Tayyip Erdogan, who has his

own ambitions for regional leadership, also stayed away.

Pakistan's Prime Minister Nawaz Sharif may be wishing he had stayed away. Despite planning to deliver a speech in Riyadh, the leader of the lone Muslim nuclear-armed power hadn't been allowed to do so, and returned to Islamabad to withering criticism for having gratuitously damaged Pakistan's relationship with its Iranian neighbor.

"There is a kind of disappointment in Pakistan, a general impression that he has been sidelined by the Saudis," said prominent Pakistani political analyst Hasan Askari Rizvi.

Saudi designs are also viewed with jealousy in Egypt. "Egyptian pride does matter," said Michael Wahid Hanna, a specialist on Egypt at the Century Foundation in New York. "Egypt—despite not being it for a long time—still sees itself as the natural leader of the region, and it is very difficult for it to set aside this notion of Egyptian leadership and be subservient to the Saudi agenda."

The Face of Change

Cory is all about collaborating with customers to create a better user experience. He and his team work tirelessly to develop smarter payment solutions that are technically feasible, business viable, and loved by his customers. It's one more way our people are helping accelerate the transformation to a value-based healthcare system. **Change Healthcare.**
Inspiring a better healthcare system.

changehealthcare.com

©2017 Change Healthcare Operations, LLC. All rights reserved.

CHANGE
HEALTHCARE

WORLD NEWS

Police Searching for Network of Attackers

Manchester officials report some progress in tracking Abedi's travels and support

BY JENNY GROSS

LONDON—Searches in the wake of the suicide bombing at a Manchester pop concert have turned up important evidence, the city's top police officer said, as investigators worked to track the attacker's trail.

They are piecing together a picture of how 22-year-old Salman Abedi, a British citizen of Libyan descent, came to blow himself up outside the show by pop singer Ariana Grande, killing 22, and whether he is part of a terror network.

Security officials are working on the theory that the attacker had assistance in making the bomb, a U.K. official said, but haven't ruled out he made it alone.

Another man was arrested in Manchester on Thursday, bringing the total in custody in Britain to eight, after a woman was released. Those still in custody include Ismail Abedi, 23, one of the attacker's brothers.

Another brother, arrested in Libya, has confessed that he and the attacker belonged to Islamic State, according to the



Queen Elizabeth II visited Millie Robson, 15, who was injured in Monday's attack, and her mother, Marie, at a hospital in Manchester.

PETER BYRNE/PRESS POOL

militia that is holding him. It wasn't possible to independently confirm the claim.

In Manchester, "initial searches of premises have revealed items that we believe

are very important to the investigation," said Ian Hopkins, chief constable of the Greater Manchester Police, adding that searches would continue for several days. He called the ar-

rests made in connection with the attack significant.

As the searches continued, Prime Minister Theresa May said the investigation was making progress, but that the

threat level in the U.K. will remain at "critical," the highest level, meaning another attack could happen imminently. She said the public should remain vigilant.

In the Manchester attack, a U.K. official said the government is focusing on Salman Abedi's ties to Libya.

He grew up in Manchester, a destination for radical Libyan Islamists during Moammar Gadhafi's regime. In October, his parents moved back to Tripoli. Abedi was at their home for about three weeks before he returned to Manchester, according to a relative and a close family friend.

He is believed to have traveled back to Manchester via airports in Turkey and Germany.

Police in Düsseldorf said he spent a short time in the transit zone of the city's airport while on his way to Manchester, with one official saying that occurred on May 18.

"Intensive investigations" so far haven't found any connections to people in the state of North Rhine-Westphalia, where Düsseldorf is located, police said. German authorities said they are in close contact with British authorities.

A Turkish official said he had also transited the Istanbul airport the same day and left on a carrier bound for Düsseldorf. There is no record of him entering Turkey.

—Margaret Coker in Istanbul and Ruth Bender in Berlin contributed to this article.

U.K. Strains to Prioritize Terror Probes as Threat Grows

BY JENNY GROSS
AND JASON DOUGLAS

LONDON—Monday's deadly suicide bombing has restarted a long-running debate about how British intelligence decides which potential extremists to watch given the limited resources at its disposal.

Like Khalid Masood, who killed five people in an attack in London in March, the suspected Manchester bomber, Salman Abedi, had been known to security officials. But both appeared to be on the periph-

ery of investigations, illustrating the challenges in monitoring a growing roster of potentially dangerous radicals.

While its island geography gives Britain an advantage in monitoring new arrivals, homegrown extremists—many with loose or no concrete ties to terror groups—are often difficult to track.

The number of known Islamist extremists in Britain has risen to more than 3,000, a British intelligence official said, almost doubling from a decade ago. But watching sus-

The number of known Islamist extremists in Britain has risen to more than 3,000.

pects around the clock placed an intensive demand on resources, and intelligence services can follow only a small percentage of these people full-time, officials said.

MI5, Britain's domestic in-

telligence agency, is managing about 500 active investigations, a U.K. security official said. Abedi was part of a wider net of people being investigated because they are suspected of being a threat to national security, referred to by MI5 as "subjects of interest." Officials declined to say what reported actions had put Abedi in that category.

U.K. security, police and intelligence agencies say the pace of threats is quickening and unprecedented: A senior government official said they

have disrupted 18 separate plots in Britain since June 2013, five of them since the Westminster attack in March.

A U.K. security official said Monday's attack in Manchester may prompt intelligence agencies to examine procedures for prioritizing suspects. "Intelligence is a moving picture; it requires an evolving response," the official said.

Raffaele Pantucci, director of international security studies at the Royal United Services Institute, said intelligence agencies have been

rethinking how to prioritize the ever-expanding pool of suspected assailants. Officials will also examine how to ensure potential threats don't slip through the dragnet, he said, particularly when they are traveling in and out of the U.K., as Abedi had, most recently by taking what relatives said was a trip to Libya before returning to England.

"Clearly, there has been a slip-up," Mr. Pantucci said. "The fact that he was able to get in and out of the country like that is quite worrying."

RISE of the QUANTS

the new kings of wall street

Welcome to the quant age. Pushing boundaries in AI and machine learning, data-driven quants are luring capital from traditional funds—and transforming finance in the process.

Learn how quant funds are reshaping Wall Street in our special weeklong series. WSJ.COM/QUANTS

THE WALL STREET JOURNAL.
Read ambitiously

WORLD NEWS

U.K. City's Libyan Community Reels

MANCHESTER, England—When news spread here six years ago that the Arab Spring was sweeping through Libya, challenging the four-decade rule of strongman Moammar Gadhafi, the city's Libyan community snapped into action.

By Mike Bird,
Georgi Kantchev
and David Gauthier-
Villars

"Some people took money, some people took medical convoys, some people went and helped with communication," said Hisham Ben Ghalbon, a Libyan native who has lived in Manchester for more than 40 years. "Some people actually went and fought."

Among those from Manchester who went to fight in Libya in early 2011, according to relatives and friends, was the future suicide bomber Salman Abedi, who was 16 years old at the time—and who detonated a shrapnel-packed can of explosives amid concertgoers in the English city on Monday.

As Manchester mourns the loss of 22 lives, including an 8-year-old girl, the Libyan community has engaged in soul-searching over what it could have done to stop the path to terrorism of a man who Islamic State says acted on its behalf.

With an estimated 5,000 residents of Libyan origin, Manchester has grown into a

mini-Libya overseas, once cemented in its opposition to Gadhafi but since beset by the rise of radical Islam and the widespread chaos prevailing in the North African country.

"The 2011 revolution brought all the Libyans together initially—before it turned out to be like bringing a flock of goats, and they start head-butting each other," Mr. Ben Ghalbon said.

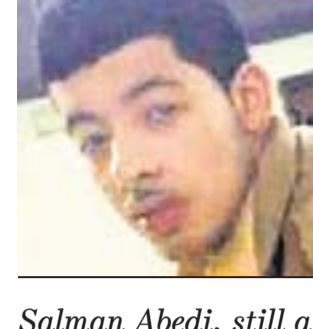
Libyans fleeing Gadhafi's regime began settling in Manchester in the late 1970s, turning the city into a hub of opponents, in the mold of Cubans in Miami.

With some friends, Mr. Ben Ghalbon chose the city to create one of the first opposition groups in exile, the Libyan Constitutional Union.

Despite having put about 2,000 miles between him and Libya, Mr. Ben Ghalbon said he had to live under round-the-clock police protection in the spring of 1984, after a house where he had resided was bombed.

"There was a hit squad on the loose with our names," he said.

In April 1984, suspicion that Gadhafi was trying to neutralize opponents in exile escalated when Yvonne Fletcher, a policewoman, was killed by bullets fired from the Libyan Embassy in London while she was monitoring a protest by Libyan dissidents. No one has been convicted in



ASSOCIATED PRESS

Salman Abedi, still a teenager, traveled to the North African country and fought.

the case but Libyan authorities took responsibility for the death in 1999.

As the U.K. broke off diplomatic relations with the Gadhafi regime in the wake of the Fletcher murder, Mr. Ben Ghalbon said his fears receded.

At the start of the 1990s, a wave of militants from various countries who had fought against the Soviet Union in Afghanistan moved to the U.K., bringing strains of radical Islam that were practically nonexistent in Manchester before.

In Manchester, residents of Libyan origin said they started hearing arguments about what people should wear, what they should read, and how they should stop sending their children to English schools.

Abedi, the suicide bomber, was born in Manchester on New Year's Eve in 1994, growing up in this city that straddled middle-class Britain and the Libya of his parents.

In March 2011, U.K. jet fighters saw action over Libya as part of a wider coalition against the Gadhafi regime. In Manchester, many Libyans decided they needed to do their part.

Abedi, still a teenager, traveled to the North African country and fought, along with his father, as part of a militia known as the Tripoli Brigade, a family friend said.

"Nobody stopped me," said Mohamed Fadil, a Manchester resident of Libyan origin who also accompanied his father to Libya to support the revolution. "I assume the British government was OK with many of us going."

Hopes of building a new, democratic Libya quickly faded. The country fell apart as powerful factions fought for pieces of the once-prosperous oil-exporting nation. On the rise in Syria and Iraq, Islamic State established a base in the coastal Mediterranean city of Sirte, from which it was ousted last year.

In Manchester, the Libyan community grew worried about what youth who had gained combat experience would bring back with them.

—Laurence Fletcher and Denise Roland in London contributed to this article.



X-CHAIR

30 DAY Risk Free Trial | FREE Shipping | \$100 off

Free footrest with code: FreeFootrest

BuyXchair.com | 844-4-XCHAIR | Corporate Discounts Available



EDUCATION IS SWEETER.

GETTING CHILDREN OUT OF SUGARCANE FIELDS AND INTO SCHOOL.

Learn more at ChildFund.org



Members of the Radaa, or 'deterrence,' militia inspected cars at a checkpoint in Tripoli in March.

the group's involvement.

It was impossible to independently ascertain how such a confession would have been extracted. Libyan militias routinely resort to harsh tactics to extract information from terrorism suspects.

A Radaa militia spokesman declined to comment on the interrogation of Ramadan and Hashem Abedi.

Radaa, meaning "deterrence" in Arabic, is among the dozens of armed Libyan militias that have surfaced follow-

ing the 2011 collapse of Moammar Gadhafi's government. The resulting power vacuum gave rise to groups that took the place of traditional security forces, and operate with few checks on their power.

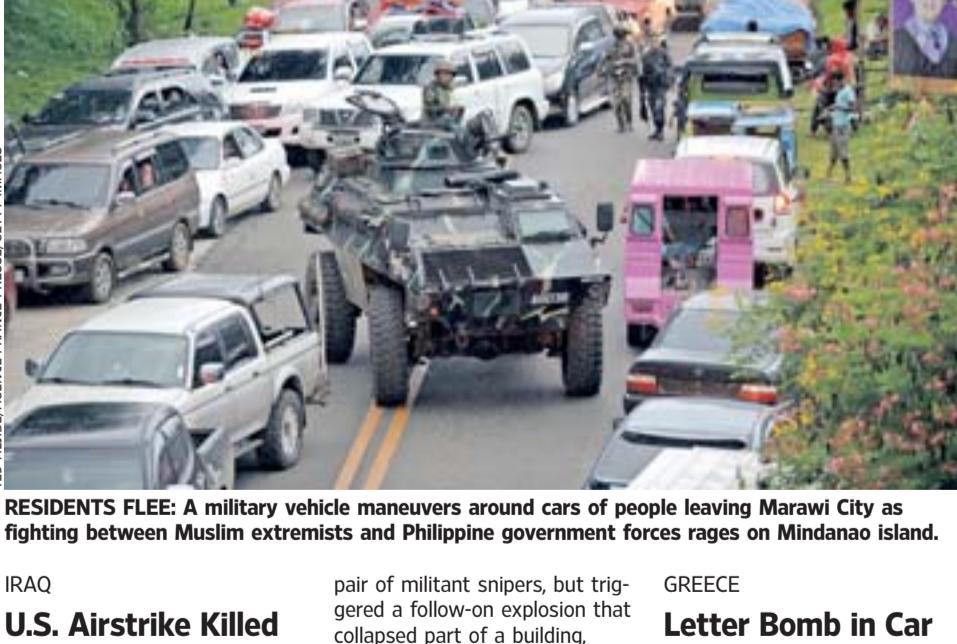
Since its establishment, Radaa has been actively involved in armed raids of drug and alcohol dealers, often leading to their imprisonment or death, according to video the group has posted on its official Facebook page.

Popular outcry among Liby-

ans for the defeat of Islamic State spurred Radaa to join the fight against the group early last year. When a U.S. strike killed 30 militants in February 2016 in Sabratha, west of Tripoli, Radaa militiamen then detained a number of wives and children of Islamic State fighters.

In detaining an unknown number of Libyans suspected of affiliation with Islamic State, Radaa has turned part of Metiga, the city's main airport, into a makeshift jail.

WORLD WATCH



RESIDENTS FLEE: A military vehicle maneuvers around cars of people leaving Marawi City as fighting between Muslim extremists and Philippine government forces rages on Mindanao island.

IRAQ

U.S. Airstrike Killed Civilians by Accident

A U.S. airstrike on a suspected Islamic State fighting position in Mosul in March unintentionally killed more than 100 civilians, most of whom died as a result of a secondary blast from munitions packed into a residential area by extremists, a military investigation released Thursday concluded.

The Defense Department said the March 17 airstrike targeted a

pair of militant snipers, but triggered a follow-on explosion that collapsed part of a building, killed 101 civilians and left three dozen missing, according to results of the military investigation.

"The investigation determined that ISIS emplaced a large amount of explosive material in a structure containing a significant number of civilians and then attacked Iraqi forces from the structure," said a statement from the U.S.-led coalition taking part in the campaign to retake Mosul.

—Ben Kesling

GREECE

Letter Bomb in Car Injures Ex-Minister

Former Prime Minister Lucas Papademos was wounded by a letter bomb as he opened his mail while riding in his car in Athens, police said.

Mr. Papademos was rushed to the hospital with chest and leg injuries, but his life wasn't in danger, two officials said. Two other people in the car were slightly injured and taken to the hospital.

—Nektaria Stamouli

COMPLETE Uncirculated 93-Coin Collection Never to be minted again!

Don't miss a unique event in U.S. coinage history! Since 1999, America's quarters have featured special statehood, territory and national park designs – **struck for 10 weeks each and then never again!** You can still get ALL 93 quarters released to date in mint Uncirculated condition for only \$29.95 – 84% OFF the regular price of \$197.00, plus FREE SHIPPING.

Order within 30 days and also get a **FREE** Uncirculated 4-coin set of 2009 Lincoln Bicentennial cents!

You'll also receive our fully illustrated catalog, plus other fascinating selections from our Free Examination Coins-on-Approval Service, from which you may purchase any or none of the coins – return balance in 15 days – with option to cancel at any time. Order now and **SAVE 84%!**

Mail coupon or order at www.LittletonCoin.com/specials

45-Day Money Back Guarantee of Satisfaction

SAVE 84 %

SPECIAL OFFER FOR NEW CUSTOMERS ONLY

X YES! Please send me an Uncirculated 93-Coin Set of 1999-2008 Statehood, 2009 D.C. & U.S. Territories and 2010-Date National Park Quarters for ONLY \$29.95 – reg. \$197.00, plus FREE Shipping (limit 5 sets). Also send my **FREE** Lincoln Bicentennial 4-coin set (one per customer, please).

Name _____ Please print clearly _____

Address _____ Apt# _____

City _____ State _____ Zip _____

E-Mail _____

FREE Shipping! Merchandise TOTAL \$ _____

ORDERS MUST BE RECEIVED WITHIN 30 DAYS

Method of payment: Check or Money Order payable to Littleton Coin Company VISA MC AMEX DISC

Card No. _____ Exp. Date / _____

You SAVE! Add Custom Display Folders **SAVE Over 10% (reg. \$2.95)**

• Statehood, D.C. & U.S. Territories Quarter Folders

• America's National Park Quarter Folders

Please send coupon to: Littleton Coin Co., Dept. 4PP404, 1309 Mt. Eustis Rd, Littleton NH 03561-3737

©2017 LCC, Inc.

WORLD NEWS



The USS Dewey, left, seen on May 19, on Thursday sailed near a Chinese-built island in the South China Sea, prompting an angry response from Beijing.

China Protests U.S. Naval Patrol

BY JEREMY PAGE

BEIJING—China vowed to further build up military capabilities after a U.S. Navy destroyer sailed near a Chinese-built artificial island in the South China Sea, the first such patrol under President Donald Trump.

Col. Ren Guoqiang, a Defense Ministry spokesman, on Thursday said Beijing had lodged a formal protest with the U.S. over the patrol, which U.S. officials said brought the ship within 12 nautical miles of Mischief Reef, one of a chain of disputed reefs and rocks in the Spratly archipelago.

Col. Ren didn't specify the legal grounds on which China objected to the patrol. He repeated Beijing's longstanding, yet legally vague, claim to sovereignty over all South China Sea islands and their adjacent waters.

"The erroneous conduct of the U.S. military will only provoke the Chinese military to

further strengthen its capacity building and firmly defend national sovereignty and security," he said at a routine media briefing.

Wednesday's patrol by the USS Dewey, a guided-missile destroyer, was a so-called freedom-of-navigation operation intended to challenge excessive maritime claims, U.S. officials said. It was the first in the area since October and the first since Mr. Trump came into office. The president has tried to forge a working relationship with Beijing to resolve trade frictions and deal with North Korea's missile and nuclear threats.

Col. Ren didn't specify the legal grounds on which China objected to the patrol. He repeated Beijing's longstanding, yet legally vague, claim to sovereignty over all South China Sea islands and their adjacent waters.

He said the U.S. patrol had disrupted recent efforts by China and its Southeast Asian neighbors to reduce tensions over the South China Sea.

The patrol, he said, was "a show of force that encouraged regional militarization and

are contested by Vietnam, Malaysia, Taiwan, Brunei and the Philippines, a U.S. ally.

The U.S. says it doesn't take sides in the territorial dispute but is concerned that China could use the artificial islands—some of which have airstrips and antiaircraft weapons—to enforce its claims and limit freedom of navigation along one of the world's busiest shipping routes.

The U.S. has conducted freedom-of-navigation operations in the South China Sea for years. Patrols around the Spratlys became contentious within the U.S. government in the past two years out of concern about damaging other areas of relations with China. U.S. officials debated how often to do them, how close to come to China's outposts, and whether to announce them publicly.

As many as three requests

to conduct freedom-of-navigation operations since Mr. Trump took office were rejected by government officials as Mr. Trump cultivated ties with China, U.S. officials said.

U.S. officials didn't specify exactly what Chinese claim the USS Dewey was challenging, or how it did so, although they said the U.S. ship came within 12 nautical miles of Mischief Reef.

The 12-nautical mile band is recognized in international law as the limit for territorial waters. An international tribunal ruled last year that Beijing's historical claim to most of the South China Sea had no basis in international law and that Mischief Reef isn't entitled to territorial waters as it was originally a reef submerged at high tide. China rejected that ruling, saying the tribunal had no jurisdiction.

Beijing Defends Its Trade Practices

BEIJING—China's Commerce Ministry issued a report defending its trade policies and practices in matters from market access to the exchange rate.

Four months into Donald Trump's presidency, Beijing's assessment of its trade relationship with the U.S. is that the imbalance isn't that bad, job losses at U.S. steel mills aren't China's fault, and Beijing's yuan interventions benefit the U.S.

Washington and Beijing this month reached a deal pledging closer cooperation in agricultural trade and financial services, but avoided more-divisive issues such as Chinese industrial overcapacity that has flooded global markets with cheap steel and aluminum.

It is untenable for the U.S. to blame job losses on the Chinese government's support for its steel industry, the report said Thursday, instead citing slower global economic growth and advances in technology.

The ministry also said the U.S. trade deficit with China in goods has been exaggerated, in part by complications of statistical methodologies such as calculations of reshipping.

Citing a joint study by the ministry and the U.S. Commerce Department, the report said the trade deficit in goods had been overstated by 19% from 2008 to 2014. The Office of the U.S. Trade Representative put last year's goods trade deficit with China at \$347 billion, while China reported a goods trade surplus with the U.S. of \$254 billion.

But China runs a trade deficit with the U.S. on services, such as Hollywood movies. Based on the joint study, the ministry put last year's overall trade gap at \$164.8 billion.

The report also defended China's obstacles to U.S. investment in sectors such as banking, securities, insurance and manufacturing.

"China believes that the level of openness of a country is determined by national conditions and is closely related to the political system, economic system, development level and regulatory capacity," the report said.

As for Beijing's use of foreign-exchange reserves to steady the yuan, the report argues that it isn't manipulation but rather intervention "favorable to the international community, including the U.S."

The central bank has taken steps to prevent the yuan from depreciating too fast against the U.S. dollar.

—Liyan Qi

◆ Beijing buys some calm for the yuan..... B1

Indonesia Links Islamic State to Jakarta Bombing

BY ANITA RACHMAN

JAKARTA, Indonesia—A deadly suicide bombing in the Indonesian capital has been linked to Islamic State, adding to a growing body of evidence that the Middle East-based terrorist group is making inroads into Muslim-majority areas of Southeast Asia.

National police spokesman Awi Setiyono said Islamic State was linked to the attack at a busy bus terminal in Jakarta late Wednesday. Two male suicide bombers killed themselves and three police officers in two explosions, and injured six officers and five civilians, police said.

Police had been stationed at the terminal in this capital city of 10 million people to secure a parade marking the holy month of Ramadan,



Police carried a body bag from the Jakarta blast site on Thursday.

which begins in days.

Indonesia is the world's largest Muslim-majority country. Authorities have long worried that Islamic State could develop a following among radical Muslims here and give new life to terrorist activity

that peaked in the early 2000s. The nation of more than 250 million people has taken an increasingly conservative turn, with the minority Christian governor of Jakarta losing an election in April amid stiff opposition by Islamic hard-liners.

Authorities say several hundred Indonesians have attempted to travel to the Middle East to aid Islamic State in recent years, and that dozens have returned. In January 2016, attacks with guns and bombs in the business district of downtown Jakarta left four civilians and four attackers dead. It was the first attack in Indonesia that authorities linked to Islamic State. Arrests and deaths of suspected ter-

rorists in Indonesia more than doubled to 170 in 2016.

Indonesian President Joko Widodo on Thursday condemned the Jakarta attacks, calling them outrageous. He ordered a police investigation of any network behind the two bombers and told officials to "hunt them to their roots."

Neighboring nations Singapore and Malaysia condemned the attacks, with the latter calling on its expatriates in Indonesia to be "extra vigilant." Britain issued a warning not to travel to the area of the attack and reiterated that the terrorist threat in Indonesia remains high.

Police said they had retrieved several pieces of evidence from the crime scene, including nails and a receipt for one or more pressure cookers purchased two days before the attack.

LEVENGER



Father's Day is June 18th

Surprise and delight him with a thoughtfully designed and expertly crafted gift, and make it special with optional personalization.

Shop Levenger.com for special offers and sales on Father's Day gifts

Professional Accessories | Bags & Totes
Home & Office Furniture & Lighting | Travel Essentials
folios & Notebooks | Writing Instruments

Levenger.com 800.544.0880

8 CIGARS ONLY \$10*



\$52
Value

**CIGARS
INTERNATIONAL**

Includes 1 each of:

Torano • HC Series • 5 Vegas • Cuba Libre • Jesus Fuego

• La Perla Habana • Alec Bradley • Rocky Patel

*Plus \$2.29 s/h. PA residents add 6% tax – taxes on orders shipped outside of PA are the responsibility of the purchaser. Offer available to first-time purchasers. One per customer. From time to time substitutions may occur. Cigars International does not sell products to anyone under the age of 21. For more information please see www.CigarsInternational.com/ageverify. Offer expires 6-30-17.

1-888-244-2790

Mention code SA7152

www.CigarsIntl.com/SA7152

You must enter the complete web address for special offer

Item #: SP-CA49-T

Holiday Update

The Wall Street Journal will not be printed on Monday, May 29, in observance of Memorial Day.



Continue to stay informed with the latest news. Log on to WSJ.com or download the WSJ app on your tablet or smartphone.

Download at: WSJ.com/mobile

To contact customer service, please visit:

WSJ.com/customerservice

THE WALL STREET JOURNAL.

Read ambitiously

© 2017 Dow Jones & Co., Inc. All rights reserved. 2D5362

IN DEPTH

SAUDI

Continued from Page One

flow drove the development of modern Saudi Arabia. In addition to being the engine of the national economy, Aramco is a core part of the government apparatus, so much so that some Aramco employees call their employer the "Ministry of Aramco."

Yet many potential investors say that, to be valued on a footing with publicly traded peers such as Exxon Mobil Corp. and Royal Dutch Shell PLC, Aramco will need to present financial statements showing the company is independent and that its profits aren't subsidizing pavilions for camel beauty pageants or other Saudi budget items.

"I'd much rather have a simple, straightforward company that specializes in that area of the market than one that might go off in other directions," says Paul Mumford, a fund manager who invests in energy stocks for Cavendish Asset Management.

The company and the kingdom are so deeply enmeshed that, a year into IPO preparations, company and government officials are still wrestling with how to untangle them, according to interviews with more than two dozen current and former Aramco executives, government officials and outside advisers, as well as corporate and government documents reviewed by The Wall Street Journal.

The IPO is crucial to the ambitions of Deputy Crown Prince Mohammed bin Salman, who wants to invest the proceeds in other industries to make Saudi Arabia's economy less reliant on oil.

Saudi Aramco said in a statement it has "initiated a multi-phased program to define our relationship with our stakeholders for the future."

Taking Aramco public would be like 'floating a country,' some bankers have said.

The company said it couldn't answer certain specific questions about IPO preparation due to concerns about complying with stock-exchange regulations ahead of the offering.

Saudi Aramco's chairman, Saudi Energy Minister Khalid al-Falih, said in a March interview that Aramco is "ringfenced financially" from the state, with governance comparable to multinationals.

Yet people familiar with the behemoth's finances say that it is often unclear even to some officials high up in the company whether Aramco has been reimbursed in full for projects, and how the reimbursement process works.

Discussing the desert construction complex, a Saudi Aramco spokesman said in an email the company "was fully reimbursed for its costs relating to this event."

Aramco, which contributes over 70% of government revenues, has a range of roles beyond infrastructure building, including economic planning. It also provides heavily discounted fuel to support companies and

consumers with inexpensive power.

Half of Saudi Arabia's 10 largest nonbank companies by market capitalization rely heavily on business with Aramco, including receiving products at below-market-rate prices, according to an analysis of Saudi corporate disclosures.

A spokesman for Aramco said that "its sales within the Kingdom are regulated by the government."

Saudi Electricity Co., the third-largest nonfinancial company in the kingdom, said in 2015 it owed some 73.7 billion riyals (\$19.7 billion) to the government and Aramco for fuel it received from Aramco since 2000. Aramco owns 6.9% of the company. That fuel allows Saudi citizens and businesses to buy electricity at a discount.

Two people with knowledge of Aramco's finances say Saudi Electricity still hasn't paid Aramco for the fuel.

The company that became Aramco started in 1933 as a joint venture between the Saudi government and Standard Oil Company of California, and for years was largely U.S.-run. Control shifted to Saudis through the 1960s and 1970s; in 1980, the government became Aramco's outright owner through a deal it struck with its U.S. partner.

As the world's thirst for oil grew, Aramco kept pace, and has accounted for more than 10% of global oil production in recent years. The company broadened its expertise from tapping and managing the world's biggest oil reservoirs to shipping and processing crude into more valuable products. Aramco now has joint ventures with multinationals including Exxon Mobil and Dow Chemical Co.

Its profits built the modern Saudi state almost from scratch.

Aramco took on infrastructure projects including roads, hospitals and schools, and provided a host of social and economic programs: interest-free housing loans, funding for U.S.-bound students and malaria eradication.

The company said its construction projects are part of a "program of corporate citizenship" that has included "national capacity building, training, schools and education." In addition, the company said it has "also undertaken infrastructure projects at the request of the Government of the Kingdom of Saudi Arabia" for which it said it received "due compensation."

Other people with direct knowledge of Aramco's finances dispute that, saying the company hasn't been reimbursed for some projects built at the government's request.

Untangling the paybacks is difficult, says a person involved in the process, because the government and Aramco sometimes deal with compensation as part of the negotiation of Aramco's annual payments to the government.

In 2006, then-King Abdullah ordered up Saudi Arabia's first coed university for an estimated \$2 billion to \$3 billion. An Aramco spokesman says "the government bore the substantial majority of the costs" for the project, and that the government reimbursed Aramco for building a \$1 billion "sports city" encompassing a soccer stadium and at least five mosques.

On other specific projects,



Saudi Aramco constructed the multimillion-dollar facilities for the King Abdulaziz Camels Festival.

side advisers, developed plans to move subsidies off Aramco's books and put non-energy functions—such as building stadiums and camel complexes—under government ministries.

The very process of realizing the prince's economic overhaul only served to highlight the blurred lines around Aramco's role.

The government began asking Aramco's oil-price-forecasting group for about 10 reports a week on countries and companies the prince viewed as alternative investment opportunities. Those included Russia, Japan's SoftBank, the Comoros Islands and an amusement-park company.

"We're going, 'What's Six Flags got to do with the price of oil?'" says a person involved in the assignment.

The internal team preparing the company's IPO began to realize they might not meet the lofty price of \$2 trillion publicly predicted by Prince Mohammed.

According to internal documents, the team reached a valuation of less than \$1.5 trillion under current tax rates and royalty rates.

Within Aramco, worries about potential disruption caused by the IPO effort have led some employees to work on what one calls a "constructive sabotage" effort—an attempt to persuade superiors Aramco should remain an arm of government.

Their quiet rebellion seems unlikely to succeed. Prince Mohammed is committed to the IPO, according to people in his circle. An Aramco spokesman declined to comment on the potential valuation or on the prince's plans.

Saudi business leaders also were becoming unsettled by aspects of the economic overhaul plan. Already hit by reduced government support, companies were facing new taxes and other measures aimed at weaning the country off oil revenue. To some, it felt like the government was focused on one thing: maximizing an Aramco IPO. On March 4, several Saudi business leaders sat with Prince Mohammed to air their grievances, according to minutes of the meeting reviewed by The Journal.

While the meeting was being held, Aramco was close to finishing the camel stage.

On a recent afternoon, hundreds of camels chewed their cuds in dusty paddocks. One white female—made particularly desirable by the downturned snout towering two feet over her caregiver's head—was the subject of a \$10 million auction bid. Her owner turned it down.

Saudi officials frame Aramco's involvement as a marriage of Bedouin tradition and modern wealth that epitomizes today's Saudi Arabia.

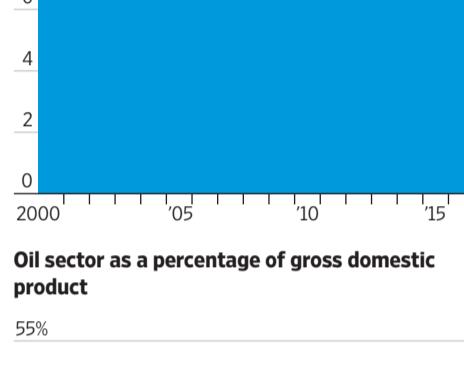
In the weeks since the camel facility was finished, government thinking on untangling Aramco has shifted, say people familiar with the matter. For months, company officials and their bankers signaled they would break Aramco's non-oil functions from the company ahead of the IPO.

On the eve of the camel pageant finale in April, senior officials said they now intend to keep the construction function in the company, hoping it can make a profit. The work is so good, say officials involved in the process, investors will want a piece.

Crude Impact

Saudi Aramco has remained the predominant player in the kingdom's economy, in part because it has managed to increase oil production in the face of falling prices.

Oil production



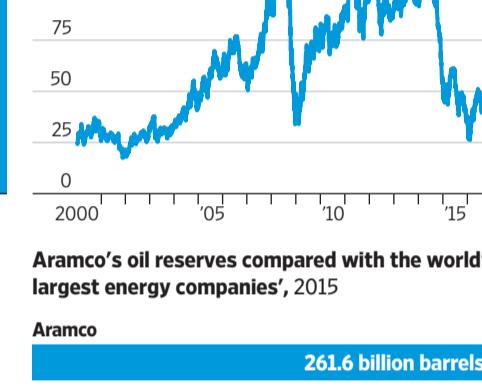
Oil sector as a percentage of gross domestic product

55%



Sources: International Energy Agency (production); WSJ Market Data Group (oil prices); Ministry of Economy and Planning (oil as pct. of GDP); the companies (reserves)

Oil price



Aramco's oil reserves compared with the world's largest energy companies', 2015

Aramco

261.6 billion barrels

Exxon

13.2

Chevron

6.3

Shell

5.3

CNOOC

3.0

THE WALL STREET JOURNAL.

such as a yearslong stormwater-drainage project in Jeddah, the company declined to comment. Another project, a futuristic museum and cultural center rising from Saudi Arabia's eastern desert, cost Aramco more than \$800 million, people familiar with the project said. The company still owns and runs the King Abdulaziz Center for World Culture, which is slated to open next year.

Aramco was also involved in building the counterterrorism center in Riyadh where President Donald Trump and King Salman were photographed touching a glowing orb, says a person familiar with the matter.

In 2014, some Aramco officials began confronting Saudi Arabia's brewing economic problems. In their unofficial role as the country's economic steward, they prepared a private report warning the government of a looming demographic explosion.

Then oil prices crashed. Abdullah died in 2015; instead of asking for stadiums, his successor King Salman asked his son, Prince Mohammed, to break the

kingdom's oil dependence, and empowered the prince to oversee a sweeping economic overhaul.

On Jan. 7, 2016, Aramco employees learned about their future from The Economist magazine: Prince Mohammed told an interviewer the company would go public.

"There was a shudder of silence in the room when it was announced," said one employee. "We were the ones pushing the research saying the economy needed to be diversified, but we never considered an IPO as the way to do that."

Public-relations staff rushed to issue a statement that made the news look like the result of a long-running study, say people familiar with the matter.

The announcement set off a race to figure out how to list a company so big and so intertwined with the government that taking it public, some bankers have said, would be equivalent to "floating a country."

As a first step, Mr. Falih and Aramco Chief Executive Amin Nasser appointed Motassim al-Maashouq to lead a group that

would figure out how to untangle the oil, fuels and chemicals businesses from Aramco's government obligations.

In a speech to the corporate-planning department, Mr. Maashouq, the goatfeet and gregarious onetime head of an Aramco division that builds nonoil projects, told employees the IPO would be a "landmark" for Aramco and that "transparency and efficiency will make things better," one attendee recalls.

Mr. Maashouq enlisted more than 20 Aramco employees. They were assigned to teams called "Project X," "Project Y" and "Project Z," say people familiar with the matter, and began meeting in offices with combination locks on the doors. Project X worked up a plan to take the entire company public; Projects Y and Z examined more modest offerings of Aramco's processing businesses, say people familiar with the matter.

Executives decided to move ahead with Project X, they say, and put together another team, "Project R," to focus on getting the company ready to go public.

The teams, along with out-

fears of being unable to break into the finance industry without a math or science background. He cautions them not to abandon Wall Street completely. "The core attributes of athletes are well-suited for the trading floor," he said.

Jeff Bahl was a bond trader at Goldman Sachs Group Inc. as Wall Street teetered on the brink of collapse in 2008. Prices spiraled downward, and "every decision you made," he recalls, "was a bad decision." The disarray took him back to a September afternoon seven years earlier, when as a linebacker for Washington and Lee University, he was beaten on a game-winning, 19-yard touchdown pass.

In the weeks following Lehman Brothers Holdings Inc.'s September 2008 bankruptcy, Mr. Bahl said he thought a lot about that game, and his ability to put it out of his mind in time for the next one—when he led W&L to victory.

Some say Wall Street may rue the day ex-jocks are cast aside. They say the core attributes needed to make multimillion-dollar bets are discipline and quick thinking—two traits honed by sports. "It's hard to replace that with artificial intelligence," Mr. Bahl said.

JOCKS

Continued from Page One
jobs. And in an open-outcry market, you could bully your way into a trade."

As an economics major at Columbia University, where he was a four-year starter and co-captain of the wrestling team, Mr. Savini followed two brothers, also college athletes, into finance. There, he believed, his background gave him an edge. "Athletes are better equipped at knowing you're not always going to win," he said. "In sales, you're going to get a lot of doors slammed in your face. It's how you bounce back from those losses that define us."

Yet these days, when he attends mixers for former wrestlers in finance, Mr. Savini, 42 years old, says he hears more gripes than enthusiasm. If college athletes asked him for advice in pursuing a career on the trading floor, he said, his message would be a simple one.

Don't.

Two years ago, after nearly a decade working as an equity salesman, Mr. Savini left for 303 Capital Markets, a boutique investment-banking firm. "The

PENN STATE ATHLETICS



Lance Lonergan, CEO at brokerage Weeden & Co., was on the 1986 Pennsylvania State University football team that won the National Championship. Today, he talks regularly with college athletes.

said Mr. Wallace, who now runs Triton Research.

The industry started to shift away from athletes in the 1990s as derivatives grew in number and complexity. That necessitated a hiring spree for Ph.D.s. More recently, the advent of electronic trading and quantitative investing called for many more recruits with math or computer-programming skills.

Justin Yan, who graduated this month from Carnegie Mellon University with a degree in computational finance, is one of

many young engineers who will descend on Wall Street this year in the industry's latest crop of recruits. Mr. Yan, 21, will start at Bank of America Corp.'s Merrill Lynch in the fall. During interviews, Mr. Yan said conversations often turned to his coding experience, and the programming languages on his résumé.

"It's when I learned that the quant nature of my academic background would be an asset to the firm," he said.

Overall employment in the U.S. securities industry has

gradually returned to precrisis levels in recent years, according to the U.S. Department of Labor, as banks and brokers hired technology and compliance employees. But the numbers mask the shrinking pool for so-called front-office employees, such as traders and salespeople.

Carey Drum-O'Neill, president of recruiter Drum Associates, said she receives more calls than ever from younger finance employees confessing they "feel like a dinosaur." A former tennis player at Penn State, Ms. Drum-O'Neill said there is a "coachability" factor that will make the road ahead smoother for those who spent a big part of their life in sports. "When you say how we can retrain you, coach you into something else, they understand that," she said.

"These people don't want to fail. They will do everything, at the end of the day, to win."

Lance Lonergan is taking this message to college students directly. The current chief executive at brokerage Weeden & Co. was a member of the 1986 Pennsylvania State University football team that won the National Championship.

Today, Mr. Lonergan talks to college athletes regularly. He said some have relayed their

side advisers, developed plans to move subsidies off Aramco's books and put non-energy functions—such as building stadiums and camel complexes—under government ministries.

The very process of realizing the prince's economic overhaul only served to highlight the blurred lines around Aramco's role.

The government began asking Aramco's oil-price-forecasting group for about 10 reports a week on countries and companies the prince viewed as alternative investment opportunities. Those included Russia, Japan's SoftBank, the Comoros Islands and an amusement-park company.

"We're going, 'What's Six Flags got to do with the price of oil?'" says a person involved in the assignment.

The internal team preparing the company's IPO began to realize they might not meet the lofty price of \$2 trillion publicly predicted by Prince Mohammed.

According to internal documents, the team reached a valuation of less than \$1.5 trillion under current tax rates and royalty rates.

GREATER NEW YORK

Suit Contests Mosque Denial

Muslim group accuses Bayonne board of bias; officials cite concerns over traffic, parking

BY KATE KING

A Muslim group seeking to build a mosque in Bayonne, N.J., filed a federal lawsuit Thursday alleging religious discrimination by city zoning officials, marking the latest such case in New Jersey.

The lawsuit follows a March vote by Bayonne's Zoning Board of Adjustment denying an application by the group, Bayonne Muslims, to renovate a vacant warehouse for use as a mosque. The three members who voted against the mosque cited parking and traffic concerns and denied that religion played a role in their decision.

In the lawsuit, Bayonne Muslims said many of the 35 churches and synagogues in the city offer no off-street parking and that other houses of worship have received zoning approvals such as those sought by the group.

The lawsuit cited examples of alleged "bigotry and hate crime" from the mosque's opponents. The group said opponents distributed fliers throughout the city that referenced the Sept. 11, 2001, terrorist attacks and urged a boycott of a bakery and cab service owned by a member of Bayonne Muslims.

"Phony zoning issues were used to block our mosque," said Bayonne Muslims President Abdul Hameed Butt in a statement provided by the group's attorney. "This project is very important to the future of Muslims in this city, and we will not give up."

Bayonne officials didn't immediately respond to requests for comment.

Bayonne Muslims is the latest group in New Jersey to file



Bayonne Muslims President Abdul Hameed Butt and Vice President Khaled Aly in front of the building they hope to convert into a mosque. The project didn't get enough votes at the zoning board to pass.

federal discrimination lawsuits concerning blocked mosque applications. Bridgewater Township settled for more than \$7 million in 2014 with the Al Falah Center, which was allowed to move forward with its plans to open a mosque and community center.

In Bernards Township, officials voted Tuesday night to settle two federal lawsuits by a local Islamic society and the U.S. Justice Department.

The lawsuits alleged violations of the Religious Land Use and Institutionalized Persons Act, passed by Congress in 2000, which prohibits local officials from employing religious discrimination or substantially burdensome land-use regulations in their consideration of applications for houses of worship.

Bayonne Muslims started looking for a property for a mosque in 2012, according to their lawsuit. The group had been renting two rooms since 2008 in the basement of a building owned by a local Catholic church. The church didn't renew the lease when it expired in January.

Bayonne Muslims said it worked with the city's mayor and zoning officer in considering several locations in the small but dense city of 63,000, according to the suit. The group purchased a building from a former roofing and sheet-metal manufacturer for about \$1 million in 2015 and submitted a proposal to renovate the interior for use as a mosque.

Bayonne Muslims told city officials it would make only

cosmetic changes to the outside of the building, which has been vacant for several years. The group applied for three variances to local zoning ordinances.

On March 6, zoning board members voted 4-3 to approve the proposal, but five votes were needed for passage and the application was denied.

Joseph Basile, a Bayonne resident and pastor, said he had expressed concerns at local meetings that Bayonne Muslims would promote Shariah law, but ultimately felt the mosque's denial stemmed from legitimate zoning issues.

Local homeowner Ali Hassan said Bayonne Muslims merely wanted their own place to worship. "This was such a major shock from such a progressive town," he said.

Refugee Resettled In Connecticut Starts Over Again

BY KATE KING

BRIDGEPORT—In his first home in America, Joshua Mahinanda Kangere found employment, community and friends, but the opportunity to pursue a job in his chosen field of nursing prompted him to pick up stakes again.

Less than four months after arriving in Connecticut, Mr. Kangere got back on a plane Saturday, this time heading to Plano, Texas. The 41-year-old, who fled the Democratic Republic of Congo after receiving death threats, said he has longed to return to medicine.

"It is my career. I like so much to help people," he said.

Like many refugees, Mr. Kangere took work beneath his education level after arriving in the U.S. He found a job as a dishwasher at a farm-to-table restaurant for \$10 an hour. His plan was to improve his English while saving to buy a car, then take the courses required to get his certification and return to nursing.

Then a childhood friend with whom he recently reconnected on Facebook offered him a shortcut. The friend, also a Congolese refugee, said his wife works at a hospital and could get Mr. Kangere a job as a nursing assistant. "I know him very good and I trust him," Mr. Kangere said.

In Connecticut, it isn't uncommon for refugees to move soon after initial placement, said Claudia Connor, president and chief executive of International Institute of Connecticut, the local resettlement agency contracted by the federal government to resettle Mr. Kangere and other refugees in the Bridgeport area. Refugees typically relocate in search of a warmer climate and lower cost of living, and to be near friends and family, she said.

The pull of familiar relationships is particularly strong for refugees who arrive in the U.S. alone. "Reconnecting with someone from home can be very reassuring and grounding," Ms. Connor said.

About 12,000 refugees, asylum seekers, special immigrant visa holders and Cuban-Haitian entrants moved from their original resettlement location to another state in fiscal 2015, according to a spokesman for the U.S. Department of Health and Human Services. In that year, the U.S. resettled 140,000 refugees, asylum seekers and others.

Mr. Kangere lived as a refu-

gee in Kenya for seven years before he arrived in the U.S. in February, shortly after President Donald Trump signed a controversial executive order suspending refugee resettlements. The order and a revised version have been challenged in court. Meanwhile, some refugee resettlements have continued.

Mr. Kangere will be eligible to apply for a green card next February and said he plans to register with a refugee-resettlement agency in Texas. One such group operating in the Dallas area is Refugee Services of Texas, which resettled 702 refugees and special immigrant visa recipients, last fiscal year.

Lindsay Mvalo, area director at Refugee Services of Texas, said the agency has experienced an uptick in volunteerism during the past six months. "We feel a lot of sup-

port from the Dallas community for resettlement and for our clients," she said.

Mr. Kangere spent his last week in Connecticut getting his paperwork in order and saying goodbye to friends and staff at the resettlement agency.

"In Bridgeport it was good, I was with good people," he said.

Mr. Kangere's landlord, Thay Taing, who resettled in the U.S. in 1980 after fleeing genocide in Cambodia, paused from picking up trash outside the apartment recently to clasp Mr. Kangere's hands. "I will pray for you," Mr. Taing said.

Jennifer Balin, Mr. Kangere's boss at the restaurant, teared up as she hugged him goodbye. "I'll miss you so much," Mr. Kangere said as he pulled out his phone for a photo.

Mr. Kangere said he hopes that once he gets a new job in Texas, he can begin sending money to his 10 children and elderly parents in the Congo. He aims to help his family to move to Nairobi and register as refugees, a step he said is a precursor to bringing them to the U.S. one day.

"In Texas, I hope I can change my life and I can fulfill my future," he said.



Congolese refugee Joshua Mahinanda Kangere said goodbye to Jennifer Balin, who hired him at her restaurant soon after he arrived.

MICHELLE MCLOUGHLIN FOR THE WALL STREET JOURNAL

Embattled Charter Can Stay Open

BY LESLIE BRODY

All grades of a Harlem charter school focused on children with disabilities will stay open for the 2017-18 academic year, despite New York City's efforts to shut its middle school for poor performance on state tests.

At a hearing Thursday in state Supreme Court in Manhattan, Judge James D'Auguste left intact a temporary restraining order barring the city Department of Education

from closing grades six through eight of Opportunity Charter School.

About 60% of its 180 middle-school students have moderate to severe learning disabilities, speech delays and other problems, the school says. The charter argued it isn't fair to penalize it for catering to students who were among the least proficient in the city when they enrolled.

Chareens Orsland, a lawyer for the city, said that, even so, the school had to show stu-

dents were being prepared for college and careers. State data show 8% of its middle-school students passed in English language arts last year and 3% did so in math.

The case demonstrates the difficulty of applying accountability rules to schools with unique student bodies. Charter schools, which are publicly funded and privately operated, get freedom from many district regulations in return for autonomy, and can be closed if they don't show good academic results.

The department's lawyer said that considering the ongoing dispute, students at the middle school could keep attending the charter for the coming academic year because it was too late to find them other placement.

After the judge's decision, a Department of Education spokesman said "students always come first" and that it "will continue to advocate for the truncation of OCS' middle school."

Layta Downs, who has a seventh-grader there, expressed relief. Her son has a cancer that affects his brain

and attention span, and teachers had given him lessons even during his hospital stays. She said his reading and math had improved at the school, he felt comfortable there, and if it closed, "he would be lost."

The school's charter—or contract—expires in June. Earlier this year, the department said it would renew its charter for high school grades on condition that the middle grades close. The school and eight parents, including Ms. Downs, sued to keep it open.

They argued its students are making progress and it is unfair for the department to expect the school to meet arbitrary rates of proficiency on standardized tests. They say the evaluation system discriminates against disabled students.

On Thursday, the judge echoed that stance, telling the department's lawyer, "You use standards that are not standards which are appropriate for children with disabilities."

The judge also criticized the department for failing to provide data that he requested previously showing how many children at the charter weren't meeting the targets of their "individualized education plans," or IEPs, which spell out services and goals for each student.

The department's lawyer said it would be a "Herculean task" to get data on how many of these students met goals of their IEPs, compared with students at other schools.

attitudes are particularly strong for refugees who arrive in the U.S. alone. "Reconnecting with someone from home can be very reassuring and grounding," Ms. Connor said.

About 12,000 refugees, asylum seekers, special immigrant visa holders and Cuban-Haitian entrants moved from their original resettlement location to another state in fiscal 2015, according to a spokesman for the U.S. Department of Health and Human Services. In that year, the U.S. resettled 140,000 refugees, asylum seekers and others.

Mr. Kangere lived as a refu-

New York City Issues Zika Travel Warning

BY MELANIE GRAYCE WEST

In advance of the summer travel season, New York City health officials on Thursday stepped up warnings to would-be parents about the threat of contracting Zika, a mosquito-borne virus that has been linked to serious birth defects in babies and, in some cases, in utero deaths.

City officials reported that since January 2016, 1,067 New Yorkers have tested positive for the virus. That total in-

cludes 402 pregnant women and 32 infants.

Of the 32 babies, 23 had laboratory evidence of Zika. There were 16 babies who had birth defects consistent with Zika born to a mother with a known case of the virus, according to Demetre Daskalakis, acting deputy commissioner for the Division of Disease Control at the New York City Department of Health and Mental Hygiene.

"Zika testing in infants is complicated," he said. "There's

a range of what can qualify as a Zika-related birth defect."

Those birth defects, said Dr. Daskalakis, ranged from microcephaly—babies born with a head smaller than average—or a more complex constellation of medical problems, including muscle spasms and other neurological defects.

In general, the Zika numbers in New York City have dropped compared with last year, Dr. Daskalakis said. "But if Zika explodes in the Dominican Republic, our numbers are

going to go up again."

From the period of Jan. 1 to May 19, 74 New Yorkers have been diagnosed with Zika. For almost the same period, the U.S. Centers for Disease Control and Prevention reports that there have been 119 symptomatic Zika cases reported nationwide.

All of the cases in New York were associated with travel—primarily to the Dominican Republic—according to city officials. There has been no local transmission of the virus.



DRIVE DE CARTIER

LARGE DATE, RETROGRADE SECOND TIME ZONE AND DAY/NIGHT INDICATOR 1904 MC

CARTIER.COM

© 2017 Cartier SA. All rights reserved.

Cartier is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

1904 MC is a registered trademark of Cartier SA.

GREATER NEW YORK

Barbecue Boom Heads North to New York

BY CHARLES PASSY

For serious barbecue fans, the meccas of meat are places like Texas, famed for its tender brisket, or North Carolina, where pulled pork is the favorite.

But to hear Matthew Katakis tell it, New York should be considered in the uppermost ranks as well—particularly for a way of cooking barbecue that is as creative and varied as the city itself.

Mr. Katakis is the pitmaster and owner of Butcher Bar, a barbecue spot in the Queens neighborhood of Astoria that recently opened a Manhattan location on the Lower East Side. He prides himself on such fun fare as a "Meat Candy" platter of beef burnt ends and a "Monster" sandwich that combines brisket and pulled pork.

"I call it eclectic," Mr. Katakis said of his style.

These days, Mr. Katakis has plenty of company in taking such an approach. The city is enjoying a barbecue boom, with more than a dozen establishments vying for diners' attention. The situation is a far cry from a couple of decades ago when, in the words of Se-



rious Eats website founder Ed Levine, "New York was a barbecue wilderness."

But just as significant may be the fact that New York is creating its own barbecue identity—albeit an identity that doesn't hew to any particular school or philosophy. Each place is its own thing—or, in some cases, several things.

The approach can be un-

abashedly traditional. At Hill Country Barbecue Market, the Flatiron District favorite that has expanded to include locations in Brooklyn and Washington, D.C., the focus is on classic Texas-style barbecue—with meats, including brisket, of course, ordered at a butcher-style counter and served on butcher paper.

The no-nonsense ideal cer-

tainly has its fans: The Flat-

iron location alone, which is marking its 10th anniversary with a series of events starting Tuesday, has seen its annual sales roughly double, according to Hill Country founder Marc Glosserman. He declined to provide specific sales figures.

In other instances, barbecue restaurants are going full-throttle gourmet. Consider Pig Bleeker in Greenwich Village.



Patrons at Butcher Bar barbecue restaurant in Manhattan, which serves a 'Monster' brisket and pulled pork sandwich.

And at Big W's Roadside Bar-B-Q, located outside New York City in Wingdale, N.Y., owner Warren Norstein adds an occasional side dish reflecting his Jewish heritage, from cabbage soup to a knish.

Pig Bleeker executive chef and partner Matt Abdoo doesn't refer to his place as a barbecue joint. Instead, he said it is a restaurant devoted to "smoke-centric comfort food."

Several barbecue restaurants also are blending the influences of other cultures into their menus, saying it makes sense in the melting pot that is New York.

At Hometown Bar-B-Que in Brooklyn's Red Hook neighborhood, baby-back ribs are prepared Jamaican-style and wings get a Vietnamese kick.

Still, some barbecue buffs say New York establishments can come up short. "There's a lot of bad barbecue" in the city, said Mr. Levine, the food website founder.

Another common complaint is the high cost of barbecue in New York City. The tab easily can top \$50 a person when sides and drinks are tallied.

Restaurateurs counter that meat doesn't come cheap; nor does New York real estate. Barbecue "is a really expensive endeavor," Hill Country's Mr. Glosserman noted.

Underwater X's and O's



MARY ALTAFFER/ASSOCIATED PRESS
FUN AND GAMES: Visitors to Times Square played tic-tac-toe Thursday with Navy divers from the Virginia-based Explosive Ordnance Disposal Group 2, during a Fleet Week diving display.

Developer Pleads Guilty in Fraud Scheme

BY JOSEPH DE AVILA
AND CORINNE RAMEY

An upstate New York developer pleaded guilty Thursday for his role in a voter-fraud scheme designed to elect public officials who would support his real-estate project.

Kenneth Nakdimen is scheduled to be sentenced in September in U.S. District Court in White Plains for one count of conspiracy to corrupt the electoral process.

Prosecutors said Mr. Nakdimen and his associates falsely registered voters to overcome local opposition to their 396-

unit townhouse project in the tiny Catskills village of Bloomingburg.

The developers anticipated making hundreds of millions of dollars from the development, according to prosecutors.

An attorney for Mr. Nakdimen didn't respond to a request for comment.

Under the plea agreement, Mr. Nakdimen could spend 6 to 12 months in prison. The charge carried a sentence of up to five years.

In addition to Mr. Nakdimen, federal prosecutors last year charged his business

partner Shalom Lamm and associate Volvy Smilowitz with one count each of conspiracy to corrupt the electoral process.

A former town supervisor of Mamakating, where the village of Bloomingburg is located, previously pleaded guilty to conspiracy to submit false voter registrations.

Messrs. Lamm and Smilowitz have pleaded not guilty. An attorney for Mr. Lamm declined to comment. An attorney for Mr. Smilowitz said his client "maintains his innocence and looks forward to his day in court."

According to the prosecutors, Messrs. Nakdimen and Lamm choose Bloomingburg, a 420-resident village in Sullivan County, for the site of their development because of the small population, making the local government susceptible to being taken over.

Messrs. Nakdimen and Lamm also have had disputes with the town of Mamakating about their real-estate project.

On Thursday, William Hermann, the current Mamakating town supervisor, called Mr. Nakdimen's guilty plea "the first step in vindication for the entire community."

Columbia Fights Suit From Law Professor

BY JACOB GERSHMAN

Columbia University is battling allegations of age discrimination leveled by one of the elite school's most prominent law professors.

Lawyers for the New York City-based university have asked a judge in Manhattan to dismiss a complaint brought by 78-year-old law professor George P. Fletcher, an influential scholar of criminal law.

Prof. Fletcher sued Columbia University and the dean of its law school in March, alleging that the administration was pressuring him to retire

and giving favorable treatment to younger faculty members.

Lawyers retained by Columbia University filed a motion this week seeking to dismiss the suit. "There is simply no basis for that allegation, and none appears in the complaint," their motion said.

Federal and New York law forbids employers from discriminating against workers on the basis of age. Prof. Fletcher is suing under local civil rights laws that set a lower bar for demonstrating discrimination.

Prof. Fletcher has accused the university and Columbia

Law School Dean Gillian Lester of essentially plotting against him by making it harder for him to meet a teaching quota.

For more than a decade, he says, he was able to accumulate enough teaching hours, while spending spring semesters abroad as a visiting scholar in Israel. That arrangement, he contends, unraveled under the leadership of Prof. Lester.

Lawyers for Columbia argued in their motion that "a university's mere failure to accommodate a professor's preferred course schedule does not give rise to a discrimination claim."

CHARLES P. ROGERS BEDS DIRECT

Memorial Day Savings on every bed and mattress!

IN-STORE & ONLINE — Take an extra 10-20% off prior reductions on every bed, every mattress, everything we sell, PLUS get FREE DELIVERY on orders of \$299 or more to most addresses in the continental U.S.

Solid mahogany Barcelona platform bed. Queen \$2,399, Sale \$1,599, Now \$1,279.20. King \$2,699, Sale \$1,899, Now \$1,519.20

Estate latex mattress. Top rated in 2017 tests and reviews. Queen \$2,699, Sale \$1,799, Now \$1,439.20. King \$3,299, Sale \$2,199, Now \$1,759.20

Hampton Belgian linen headboard. Queen \$1,699, Sale \$999, Now \$899.10. King \$2,099, Sale \$1,299, Now \$1,039.20

33x75" forged iron Campaign daybed. Reg \$1,299, Sale \$699, Now \$629.10. Optional trundle stores a second mattress underneath.

Newfield antique brass & iron queen bed. Reg. \$1,599, Sale \$1,199, Now \$959.20. Headboard alone \$929, Sale \$699, Now \$629.10

Newhouse white leather and solid mahogany queen bed. Reg. \$2,299, Sale \$1,399, Now \$1,119.20

Flame mahogany Hamilton queen sleigh bed. Reg. \$4,199, Sale \$3,599, Now \$2,879.20. King \$4,799, Sale \$4,099, Now \$3,279.20

St Regis® mattress. Top rated by independent tests and reviews. Queen \$1,829, Sale \$1,099, Now \$879.20. King \$2,559, Sale \$1,399, Now \$1,119.20

Paris antique black iron queen sleigh bed. Reg. \$1,599, Sale \$999, Now \$889.10. King \$2,099, Sale \$1,299, Now \$1,039.20

Solide mahogany queen platform bed \$999, Sale \$549, Now \$494.10. Micro suede wall mount headboard \$499, Sale \$299, Now \$179.10 w/bed.

CHARLES P. ROGERS ~ BED MAKERS SINCE 1855

NYC FACTORY SHOWROOM: 26 WEST 17 ST. (5-6 AVES) 212-675-4400/1-800-272-7726.
DAILY & MEMORIAL DAY 9-8, SAT 10-7, SUN 12-6 • WEBSITE: CHARLESROGERS.COM
NJ. FACTORY STORE: 300 KTE 17 N. EAST RUTHERFORD. DAILY/MEMORIAL DAY 10-6, SAT 10-7, CLOSED SUN.



Now—May 28 FINAL PERFORMANCES

SEATS \$30 | nycballet.com | 212-496-0600

Photo © Sam Wootten

NEW YORK CITY BALLET

TRAVELERS GLOBAL SPONSOR

NEW JERSEY

New Clue in Deadly Crash of Learjet

The Learjet that crashed on approach to Teterboro Airport earlier this month made a later-than-usual turn toward the runway before it banked hard and went down in an industrial area, federal investigators said Thursday.

Radar data indicated the aircraft didn't start its right circling turn until it was less than a mile from the approach end of the runway, the National Transportation Safety Board said in a preliminary report into the May 15 crash that killed two crew members.

Controllers said aircraft typically start that turn about 4 miles away, investigators said.

—Associated Press

NEW YORK

Three Tracks to Close For Penn Station Work

Three tracks at a time will be closed at Penn Station as part of extensive repair work that is expected to inconvenience thousands of rail commuters this summer, an Amtrak official said Thursday.

Two tracks are needed for staging and removing old equipment while work proceeds on a third track, according to Michael DeCataldo, the national passenger railroad's vice president of operations.

—Associated Press

LIFE & ARTS

THEME PARKS

A Preview of 'The World of Avatar'



BY BEN FRITZ

Orlando, Fla. "SUBTLE" ISN'T A WORD normally associated with Disney theme parks or James Cameron movies.

But if anything is likely to surprise visitors to Pandora—The World of Avatar, the theme-park area opening here Saturday at Disney's Animal Kingdom park, it is the absence of loud music, bright lights and attention-grabbing signs.

It is "Avatar" turned down to 1. Perhaps it's because children won't enter Pandora desperate to see their favorite "Avatar" character the way they search for Elsa at Frozen Ever After or Chewbacca in the Star Wars Launch Bay. Most people would probably be hard-pressed to name a character from the 2009 blockbuster, even though it grossed a record-breaking \$2.7 billion world-wide.

The landscape in Pandora isn't a setting, it's a character, said Joe Rohde, designer for Disney's Imagineering unit. While the new area has a state-of-the-art thrill ride, it stands out mostly by not announcing itself.

Visitors enter Pandora by crossing a bridge from Animal Kingdom into 13 acres of natural plants mixed with "alien" (a.k.a. man-made) ones. Two rides are hidden inside a rock wall framed by mountains that almost seem to float, thanks to engineering feats that Imagineers needed a year to pull off, during the project's five-plus-year design and construction.

The effect is striking at night, when the man-made plants and trees and even leaf-shaped indentations in the ground glow. The lighting slowly increases as darkness



Scenery from Pandora—The World of Avatar, top, and its Na'vi River Journey ride, above.

falls, referencing the bioluminescent plants in "Avatar." That also steps up the appeal of Animal Kingdom—which people tend to visit during the day—after the sun sets.

Disney aimed for "complete immersion" with Pandora, said the company's parks and resorts chief Robert Chapek. Every element of the land makes sense for the story of people visiting the planet a generation after the movie and its coming sequels. Among the area's handful of rides is the Na'vi River Journey, a slow meander through a Pandoran rainforest surrounded on all sides and above by glowing plants and, via projection screens, "native" wildlife. It culminates in one of Disney's most advanced audio-animatronic characters: a 10-foot tall Na'vi "shaman" from the film.

The Flight of Passage ride offers a contrasting experience, using the most advanced flight simulator to date in any theme park to replicate the experience of riding one of the movie's dragon-like banshees. Riders don 3-D glasses and lean forward on a motorcycle-like seat as they are hoisted in the air on mechanisms that tilt and blow air in time with images on a giant movie screen. Mr. Cameron, on hand to promote the opening, suggested that the ride could be updated with content from a quartet of movie sequels scheduled for release between 2020 and 2025 by Fox, from which Disney licensed the "Avatar" theme-park rides.

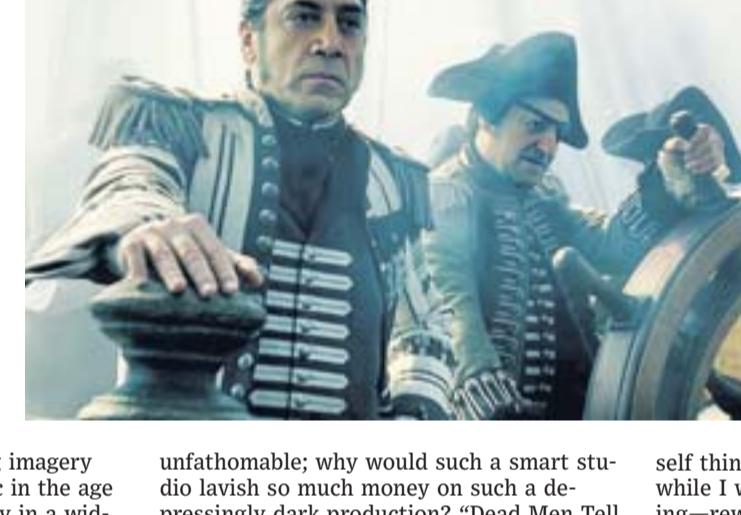
As Disney focuses on movie-inspired lands in its theme parks—ones featuring Toy Story, Star Wars and Marvel characters are in the works—"Pandora" signals the company's priorities, Mr. Chapek said. Instead of rides that replicate a big-screen story and characters doing meet-and-greets on generic sidewalks, Disney wants visitors to feel they are in their favorite cinematic universe, from the largest landmark to the smallest detail.



DISNEY (2)

FILM REVIEW | By Joe Morgenstern

'Pirates': Entertainment Walks the Plank



Above, Johnny Depp as Jack Sparrow; left, Javier Bardem as Captain Salazar, in foreground, in 'Pirates of the Caribbean: Dead Men Tell No Tales'

Joachim Rønning and Espen Sandberg from a script credited to Jeff Nathanson.)

Better movies are playing, and more are on the way. Not just prestige releases of the fall and winter, which seem very far away, but summer spectacles that will—at least one hopes—erase the memory of disposable junk like "Dead Men Tell No Tales." Normally I do my own erasing, and in a matter of days, if not hours.

This time, though, I found myself thinking about the latest "Pirates" while I was on my exercise machine, watching—rewatching, actually—"The Best of Youth," a magnificent miniseries, released in 2003, that traces the history of Italy from the 1960s to the end of the 20th century through two brothers' divergent lives. There I was, huffing and puffing and laughing and weeping, but also wondering why I was troubled by the memory of a silly movie with a PG-13 rating that had nothing to do with the superb entertainment I was caught up in.

That's the connection, though—the totality of the disconnection. There's plenty of room for silliness in life, even a need for it, but movies like Disney's current edition of "Pirates" don't entertain, in the traditional sense of the word. They don't whet the audience's appetite for better entertainment, don't encourage young moviegoers to expand their experiences as they mature. Preceded by monster marketing campaigns, they set up fervent expectations that can't be sustained, then deaden sensibilities with quick-cut drivel. And they're proliferating these days, the spawn of studios beset by seismic shifts in the entertainment industry. Productions like this come and go, crumbling tentpoles to be replaced by new timber, but they are self-fulfilling prophecies, and dire ones, about the future of the theatrical movie business. They're accomplices in a soul heist.

unfathomable; why would such a smart studio lavish so much money on such a depressingly dark production? "Dead Men Tell No Tales" is mainly about finding the Trident of Poseidon. Jack Sparrow, the hapless, bibulous pirate captain played by Johnny Depp, must find the Trident so he can use its magical power against ghost pirates led by his longtime nemesis Captain Salazar (Javier Bardem), whose hair moves in slow motion, though never as slow as the turgid plot. Every 15 minutes or so, someone reminds us what the movie is about by saying something along the lines of "We've got to find the Trident of Poseidon," or "The Trident's the only thing that can save him now." It's also revealed that Galileo was looking for the Trident, which is why he invented the spyglass.

When the franchise was young, Mr. Depp was very funny in the role. Now he's not, though he can still get a laugh by walking as if on a tilted deck, even when he's on dry land. The familiar cast of characters has two young and attractive additions, Henry and Carina, who are played, respectively, by Brenton Thwaites and Kaya Scodelario. To say much more about them might give away plot secrets, but Carina is a horologist—men snicker smutty whenever she says so—and though the story is set in the 18th century, a time of great advancement in chemistry, there is none between these would-be lovers. (The film was directed by

TELEVISION REVIEW | By John Anderson

RULES OF AUDIENCE ENGAGEMENT



Brad Pitt in 'War Machine'

AFTER THE WEEK former National Security Adviser Michael Flynn has had, it probably adds insult to injury to say that Anthony Michael Hall's portrayal of him in "War Machine" is close to medal-worthy. Fuming, choking and clanking around 2010 Afghanistan like a badly timed Humvee, Mr. Hall fulminates about Washington, the Afghans, the insurgents, the counter-insurgents. He's as unstable as a gunpowder soufflé. With apologies to the comedy team Key & Peele, he's a little like Gen. Stanley McChrystal's anger translator.

Flynn isn't actually called Flynn, of course, and McChrystal isn't McChrystal—they are intelligence officer Greg Pulver (Hall) and his superior officer and idol, the revered Gen. Glen McMahon (Brad Pitt). But the fictionalized "War Machine"—which will also have a limited theatrical run—is indeed based on the Rolling Stone article and subsequent book ("The Operators") that firebombed Gen. McChrystal's career, after he and his staff

were quoted as having made disparaging remarks about President Obama, Vice President Biden and others (including Richard Holbrooke, whose portrayal here isn't so flattering either).

Observers wondered at the time just what a distinguished four-star general had been thinking, allowing a Rolling Stone writer like Michael Hastings access to his staff's intimate conversations/ebriety/outbursts and to take part in their inebriated holdover in Europe as they waited for a Greenland volcano to stop interfering with air traffic. You wonder about the same thing while watching "War Machine," but also about what the late Mr. Hastings would think of this movie. Because for all its biting political satire, and cogent military analysis, "War Machine" is an antiwar movie that is

profoundly pro-warrior. Yes, there's a degree of mockery involved: Mr. Hall's hotheaded Pulver makes Flynn look ridiculous. But Gen. Glen McMahon—"the Glenable," to his friends/sycophants—is another story.

The image that viewers will no doubt retain of super-soldier McMahon, whom Brad Pitt plays with a mix of pathos and Kubrick-

Please see WAR page A13

LIFE & ARTS

THEATER REVIEW | By Terry Teachout

Delusional Dystopia



CAROL ROSEGG

James Badge Dale and Tamara Tunie in Robert Schenkkan's 'Building the Wall'

New York
ONCE MORE, with feeling: Politics makes artists stupid. Not invariably, you understand, but often enough, and pretty much always when the politician in question is Donald Trump, the mere mention of whom can instantaneously reduce writers on both sides of the Great Ideological Divide to red-faced screeching. I place in evidence Robert Schenkkan's "Building the Wall," a two-hander by the author of "All the Way" that is the dumbest play I've ever reviewed. It put me in mind of Harpo Marx's capsule review of "Abie's Irish Rose": "No worse than a bad cold." Mr. Schenkkan's play, by contrast, is somewhat more fun than double pneumonia.

"Building the Wall" is set in the visiting room of a prison somewhere in deepest, darkest Amerikkka (oh, whoops, pardon me, I meant Texas). The characters are Rick (James Badge Dale), a white prisoner, and Gloria (Tamara Tunie), a black journalist who is writing a book about him. The year is 2019, by which time Mr. Trump has been impeached and "exiled to Palm Beach" after having responded to the detonation of a nuclear weapon in Times Square by declaring nationwide martial law and locking up every foreigner in sight. The bomb, needless to say, was a "false flag" operation, planted not by terrorists but by the president's men. As for Rick, an avid Trump supporter, he's since been jailed for doing something unspeakably awful, and at the end of an hour or so of increasingly broad hints, we learn that he helped the Trump administration set up a death camp—yes, a death camp, as in Zyklon B—for illegal immigrants.

What we have here, in other words, is a piece of pornography written in order to stimulate the political libido of paranoiacs who find their Twitter feeds insufficiently lascivious. Mr. Schenkkan, on the other hand, has described "Building the Wall" as "not a crazy or extreme fantasy," which tells you ev-

erything you need to know about his point of view. It is, of course, possible to spin exciting drama out of raging paranoia, but that requires a certain amount of subtlety, not to mention intelligence, and there is nothing remotely subtle or intelligent about "Building the Wall," which is both dramaturgically inept and simple-minded well past the point of unintended comedy.

Consider, if you will, the charac-

terizations, such as they are. Rick is a blue-collar cartoon, a Southern-fried, river-baptized regular guy who claims not to be a racist but voted for Trump because "all our jobs were going to Mexico and China and places like that and then the illegals here taking what jobs are left and nobody gave a damn," meaning that (surprise, surprise!) he's a racist. Gloria is a cartoon of a different kind, a leftsplaining virtue

signal in human form who does nothing but emit odiously smug little speeches in which she simultaneously puts down Rick and flashes the clap-if-you're-woke applause sign. "I mean, at some point in the past we were all immigrants, right, except for Native Americans. And those of us who didn't have a choice in the matter."

It happens that "Building the Wall" is being performed four blocks away from Lynn Nottage's "Sweat," a first-rate left-of-center political play in which frightened factory workers whose jobs have been moved to Mexico are portrayed with open-minded sympathy—and in which Mr. Trump's un-hallowed name is never spoken, not even in passing. You'd think Mr. Schenkkan would be ashamed to allow this cheap little piece of claptrap to be staged in the same city as a beautifully crafted, morally serious play like "Sweat," much less the same neighborhood. On the other hand, the performance of "Building the Wall" that I saw got a standing ovation. I wish I could say I was surprised, but it's no secret that what most politically minded playgoers like best is to be told what they already think in the most obvious way possible.

For the record, Mr. Dale is unexpectedly plausible as Rick. Not so Ms. Tunie, who is stiff and self-righteous, though I doubt that's her fault, since Mr. Schenkkan wrote her part that way. Ari Edelstein's staging is numbingly static, while Bart Fasbender's horror-movie incidental music serves only to underline the unmitigated crudity of the proceedings.

Building the Wall

New World Stages, 340 W. 50th St. (\$32-\$97), 212-239-6200/800-447-7400, closes July 9

Mr. Teachout is the Journal's drama critic. "Billy and Me," his second play, opens at Palm Beach Dramaworks on Dec. 8. Write to him at tteachout@wsj.com



Brad Pitt and Ben Kingsley

WAR

Continued from page A12
ian obtuseness, is of the general running his daily seven miles. His shorts are always pulled up too high, his arms are out too far, his pelvis is tilted toward some hostile force off in the dark recesses of Afghanistan. Or Washington. The spartan, square-jawed McMahon doesn't care what others think. He does things his way.

Which, in the not-so-screwy universe of "War Machine," makes him the obvious choice to lead the coalition forces in Afghanistan, where diplomacy is far more important than valor, where theories of counterinsurgency are doomed before they get any traction, where no one in a position of power—including the insipid Hamid Karzai (Ben Kingsley)—thinks a war can be won at all.

"War Machine," with a screenplay and direction by David Michod (of 2010's ferocious "Animal Kingdom"), is a comedy because, as per the old Angela Carter line, it's tragedy happening to other people. But it's also a highly accessible examination of why the Afghanistan war couldn't be won the way we—in the person of Gen. McChrystal—were fighting it, and why counterinsurgencies can be disastrous by definition. It's also a mixed bag of tones and intentions, with a dash of stunt casting: Tilda Swinton is seen briefly, but provides one of the film's more important moments as a German politician who rattles McMahon when she confronts him about his commitment to career over cause. Lakeith Stanfield is terrific as Cole, a corporal in the field who, in questioning just about everything, also disturbs his seemingly impenetrable general.

And Meg Tilly—the seldom-seen Meg Tilly—makes the film's most difficult scene thoroughly human, as McMahon's wife, Jeannie. Sharing a brief reunion in Paris, Glen and Jeannie are so painfully awkward, uncomfortable and yet caring of each other that in its very quiet manner it sums up all the sacrifices of married service people, uniformed and otherwise. In Jeannie's case, life has obviously meant devotion to a man required by duty to be both geographically and emotionally remote. In this, they both become quasi-tragic, and worthy of great affection.

War Machine
Friday, Netflix

PARAMOUNT PICTURES



a tough taskmaster but also a good-hearted role model for young trainees hoping to join Mitch's elite lifeguard team. He's the adult of the group, which includes Zac Efron's Matt Brody, an arrogant Olympic swimmer who has tarnished his gold medals by vomiting in a pool. (The main figures of the gorgeousness contingent—"Charlie's Angels" as mermaids—are played by Alexandra Daddario, Kelly Rohrbach and Ilfenesh Hadera. Jon Bass is Ronnie Greenbaum, clownishly addled by testosterone.)

But the director, Seth Gordon, and the writers, Damian Shannon and Mark Swift, don't sustain the parody, or settle on any other tone for longer than a scene or two. "Baywatch" soon devolves into an amateurish murder mystery, and lifeguards and trainees turn into junior detectives on the trail of vile connivers who want to besmirch the bay with a real-estate development. That's a puzzlement, since the area already seems as overdeveloped as everyone's abs.

Ilfenesh Hadera, Dwayne Johnson

FILM REVIEW | By Joe Morgenstern

CAN'T BE RESCUED

IN "BAYWATCH," a cellulite-free saga of hard bodies and soft heads, the way of all flesh is a progression from sand to surf. At its best, this big-screen version of the *fin de siècle* TV series evokes the rapture of the shallows. At its worst, where to begin? A repurposing of the Heimlich maneuver for inclusion in a new edition of the Kama Sutra? A portrait of the anti-hero as serial vomiter? I'd vote for the graphic frontal nudity of a male corpse during an autopsy performed by lifeguards and trainees investigating a crime. The movie is a minor crime, a meandering misdemeanor that's neither soft-core nor hardcore but no core, with no consistent style and minimal content. (So minimal that the official website wisely omits a synopsis, or any other information, and offers only two options: Watch Trailer or Get Tickets.)

The first scene promises more. From his perch in Station One, Lt. Mitch Buchannon, an eagle-eyed, quick-witted lifeguard played by Dwayne Johnson, spots a parasail canopy all

aflutter and threatening to dump its Icarus into the bay. Intuiting the kite's trajectory—after foreseeing trouble clairvoyantly—Mitch vaults over a railing onto the beach, races into the water and makes the first of the movie's many epic saves. It's a charming piece of parody, a sign that the film will take itself with more than a few grains of sea salt.

And this singular star has the requisite comedy chops. In the role originated by David Hasselhoff (who turns up on screen as more or less himself), Mr. Johnson makes Mitch a figure of mountainous probity,

and the rest of the cast follows suit.

IN THE END, however, the

movie is a minor crime, a meandering misdemeanor that's neither soft-core nor hardcore but no core, with no consistent style and minimal content. (So minimal that the official website wisely omits a synopsis, or any other information, and offers only two options: Watch Trailer or Get Tickets.)

The first scene promises more. From his

perch in Station One, Lt. Mitch Buchannon, an

eagle-eyed, quick-witted lifeguard played by

Dwayne Johnson, spots a parasail canopy all

aflutter and threatening to dump its Icarus into the bay. Intuiting the kite's

trajectory—after foreseeing trouble clairvoyantly—

Mitch vaults over a rail-

ing onto the beach, races

into the water and makes

the first of the movie's

many epic saves. It's a

charming piece of parody,

a sign that the film will

take itself with more than a

few grains of sea salt.

And this singular star has

the requisite comedy chops.

In the role originated by

David Hasselhoff (who turns

up on screen as more or less

himself), Mr. Johnson makes

Mitch a figure of mountainous probity,

and the rest of the cast follows

suit.

IN THE END, however, the

movie is a minor crime, a

meandering misdemeanor that's

neither soft-core nor hardcore but no core,

with no consistent style and minimal content.

(So minimal that the official website wisely omits a

synopsis, or any other information, and offers

only two options: Watch

Trailer or Get Tickets.)

The first scene promises more. From his

perch in Station One, Lt. Mitch Buchannon, an

eagle-eyed, quick-witted lifeguard played by

Dwayne Johnson, spots a parasail canopy all

aflutter and threatening to dump its Icarus into the bay. Intuiting the kite's

trajectory—after foreseeing trouble clairvoyantly—

Mitch vaults over a rail-

ing onto the beach, races

into the water and makes

the first of the movie's

many epic saves. It's a

charming piece of parody,

a sign that the film will

take itself with more than a

few grains of sea salt.

And this singular star has

the requisite comedy chops.

In the role originated by

David Hasselhoff (who turns

up on screen as more or less

himself), Mr. Johnson makes

Mitch a figure of mountainous probity,

and the rest of the cast follows

suit.

IN THE END, however, the

movie is a minor crime, a

meandering misdemeanor that's

neither soft-core nor hardcore but no core,

with no consistent style and minimal content.

(So minimal that the official website wisely omits a

synopsis, or any other information, and offers

only two options: Watch

Trailer or Get Tickets.)

The first scene promises more. From his

perch in Station One, Lt. Mitch Buchannon, an

eagle-eyed, quick-witted lifeguard played by

Dwayne Johnson, spots a parasail canopy all

aflutter and threatening to dump its Icarus into the bay. Intuiting the kite's

trajectory—after foreseeing trouble clairvoyantly—

Mitch vaults over a rail-

ing onto the beach, races

into the water and makes

the first of the movie's

many epic saves. It's a

charming piece of parody,

a sign that the film will

take itself with more than a

few grains of sea salt.

And this singular star has

the requisite comedy chops.

In the role originated by

David Hasselhoff (who turns

up on screen as more or less

himself), Mr. Johnson makes

Mitch a figure of mountainous probity,

and the rest of the cast follows

suit.

IN THE END, however, the

movie is a minor crime, a

meandering misdemeanor that's

SPORTS



NBA

Basketball's Forgotten Pioneer

In the 1930s, Hank Luisetti and Stanford laid the foundation for Stephen Curry and the modern NBA

BY BEN COHEN

WALTER VINCENTI is 100 years old and the winner of NASA's lifetime achievement honor for aeronautical engineering. He's seen some things. One of the most remarkable things he's seen was a basketball game that featured a glimpse of Stephen Curry—half a century before Stephen Curry was born.

Vincenti was the student manager of Stanford's basketball team in 1936 when it traveled across the country by train, stopped to meet James Naismith along the way and finally arrived several days later. He never forgot what happened next. "We made a trip to New York, played in Madison Square Garden and revolutionized the game," Vincenti said.

The sold-out crowd on Dec. 30, 1936 didn't believe anyone could beat the team Stanford had come

to play, Long Island University, which hadn't lost in years. As soon as the game began, though, thousands of fans realized the basketball they were watching was different from the basketball they were used to watching.

This long-forgotten game turned out to be an unexpected bellwether for the NBA. To understand why basketball looks the way it does today—when the best teams shoot far from the basket and pass like the ball has cooties—it helps to understand how it looked a long, long time ago.

Stanford played unlike any other team of its era because it had a player named Hank Luisetti. Naismith was basketball's inventor, but Luisetti was its innovator. In the age of the set shot and hook shot, Luisetti popularized a better idea: the jump shot.

It was as if Luisetti were playing another sport altogether. "He was unusual in his day," Vincenti

said. "But people soon began to imitate him, and basketball became a more wide-open game."

Luisetti was discussed with the breathless wonder that fans reserve for someone else now. "He was the spitting image of another young man named Stephen Curry," Richards Lyon, a contemporary of Luisetti's at Stanford, wrote in an email to The Wall Street Journal before he died last year.

Curry is 6-foot-3, 190 pounds; Luisetti was 6-foot-3, 185 pounds. Curry overhauled his mechanics as an undersized high-schooler so he could shoot without getting blocked; Luisetti experimented while playing with older kids from a young age so he could shoot without getting blocked. Curry scored the most points of his life at Madison Square Garden; Luisetti had the most important game of his life at the original Madison Square Garden.

But first Luisetti and his Stan-

ford teammates had to get there. They boarded a train that rumbled across the country until it reached Kansas City, where Stanford coach John Bunn introduced them to the man who invented their sport: James Naismith himself. "It was quite a thrill," Vincenti said.

In New York, Madison Square Garden was packed with more than 17,000 fans who'd heard about Stanford's peculiar style of play and its star who shot with one hand. The city's sportswriters filed stories that might seem familiar to anyone who's read about the Warriors lately.

Golden State wants to play with joy. Stanford's players were dubbed "The Laughing Boys." The Warriors at their best are a sight to behold. "It is really a grand team to watch," one reporter wrote of Stanford. Curry and Klay Thompson are transcendent shooters. "Hank Luisetti and [Art] Stoenen have shots that can only be

stopped by carefully placing a lid on the top of the basket," he wrote. Golden State's stars are dangerous because they can do everything on a basketball court.

"Every regular is a crack player who can score, pass and run," this article said. "No mere commonplace defense can halt them."

The relationship between basketball then and basketball now is like the relationship between goldfish the fish and goldfish the food. They have the same name, but they're nothing alike.

Luisetti and his teammates brought color to a sport that had been stuck in black and white. Stanford's players moved off the ball. They played off each other. They made the game faster and more fluid—and that made it fun. The crowd was especially astounded by Luisetti's audacity.

"Some of his shots would have been deemed foolhardy if attempted by another player," one reporter wrote after watching him.

Stanford beating Long Island, 45-31, was a giant leap for basketball. New York's players and coaches initially said the one-handed shot would ruin the sport. They eventually realized Luisetti was right and East Coast teams needed to play more like this one team from the West Coast.

But the bizarre thing about the first game that resembled modern basketball is that almost nobody remembers it.

Luisetti has a statue on Stanford's campus, and the school lists him alongside Google's founders among its most innovative alumni. "He's certainly known here," said Stanford basketball radio analyst John Platz, who wrote a book on the first 100 years of the school's basketball team. "Why isn't he more revered?"

Even people in NBA front offices aren't familiar with the person who made their teams possible. Luisetti, who died in 2002, played so long ago that everyone with memories of seeing him play is at least 90 years old now. There aren't many of them left.

Vincenti is one of them. He went to work for NASA when it was known as NACA—the "S" for space was still aspirational—and later founded a Stanford program in science and technology. He doesn't watch much basketball anymore.

But he's aware of how the game has been transformed—and who's partly responsible. The Warriors and Cleveland Cavaliers wouldn't play the way they do if it weren't for the 1936 Stanford team. Although, Vincenti said, he never imagined the number of threes shot by modern teams. "No one ever thought of doing anything like that," he said.

CYCLING | By Jason Gay

After No. 2, Can Tom Dumoulin Stay No. 1?

WE'RE GOING to try to get through this like mature adults. But this is a story about sports—and poop.

The other day in the Giro d'Italia—the most prestigious bicycle race on the planet, after the Tour de France—the Dutch cyclist Tom Dumoulin encountered a crisis that unsettled the sport. Dumoulin began the day atop the Giro standings when he felt his insides roiling. Nature was calling him. Urgently.

"I just had some problems," Dumoulin would say after the race, in one of the most surreal on-camera interviews in sports history. "I needed to take a..." He then used a word that rhymed with "hump."

I know what you're thinking: You're just trying to get a cheap laugh out of a poor athlete's unfortunate moment, you heartless jerk. And you're not entirely wrong! But this was no mere moment—it was perhaps the decision of a lifetime for Dumoulin, the 2016 Olympic silver medalist in the individual time trial. No Dutch cyclist has won the Giro, a career-making Grand Tour that nearly every pro dreams about capturing. This was not simply pulling over on the New Jersey Turnpike.

Dumoulin had to quickly make an agonizing choice. If he kept riding, there was the risk of, er, resolving the issue in his spandex, and all the misery that would entail. However, if he stopped to unburden himself on the roadside, he'd almost surely lose time to his rivals, and maybe even the race's overall lead. Dumoulin's insides, meanwhile, were not waiting for him to settle the debate.

He chose to stop. In a moment



LUK BENIES/AGENCE FRANCE PRESSE/GETTY IMAGES

An unexpected pit stop during Tuesday's stage of the Giro d'Italia has Tom Dumoulin hanging on to a slim lead.

captured in Giro television coverage—the 26-year-old Dutchman pulled to the side of the road, leapt off his bike, scurried down an embankment in his clickety-clack bike shoes, removed his pink Giro leader's jersey, then his spandex pants suspenders—doing this maneuver in bicycle clothing is only slightly less complicated than assembling an IKEA bunk bed—and took care of business. Soon, he was back on the bike.

He did lose time, however. Dumoulin's chief rivals, Colombia's Nairo Quintana and Italy's Vin-

cenzo Nibali, both escaped from Dumoulin and made time gains on the stage. Dumoulin had begun the day with a two minute, 41 second lead over Quintana. But after Dumoulin's mishap, Quintana shaved off a hearty two minutes, 10 seconds—and was now just 31 seconds behind. Nibali, who won the stage, moved up from fourth to third, and was one minute, 12 seconds back. The race had changed abruptly. Dumoulin didn't conceal his disappointment.

"I could have easily been with Nibali and Quintana," he said. "I

just lost because I had a problem."

Now because this is cycling, and there are more unwritten rules in cycling than even fuddy-duddy baseball, there was a brief rancor that evening, over whether or not Quintana and Nibali should have stopped when Dumoulin paused to, well, you know. There's a tradition in cycling that rivals are not supposed to attack a race leader when he suffers an unlucky misfortune like a crash or a mechanical problem, and though Dumoulin's situation was neither of those, it was definitely an unlucky misfortune.

Dumoulin would wind up quashing the controversy himself. He absolved his rivals of any responsibility, arguing that the race stage had reached a late level of competitiveness and a chivalrous stop was no longer required.

"I'm not angry or disappointed that the other teams didn't really wait," Dumoulin wrote on Twitter.

It was a classy gesture by a cyclist now clinging to a thin lead. Admirably, Dumoulin hasn't been shy about any aspect of this episode—and why should he be? As the famous children's book says, everyone does it!

The next day, Dumoulin offered one of the greatest quotes in sports history, telling reporters: "I'm not here to write history because I'm sh—g in the bushes," Dumoulin said. "I'm here to try and write history by winning the race in Milan."

I'm going to pause to say that if the NFL or NBA offered up a subplot like this, the sports internet would explode. ESPN's "First Take" would do a nine-part special. In cycling, where crazy happens all the time—a women's cyclocross pro got caught with a motor a couple seasons back, and a Tour de France winner ran up the mountain without his bike last year—it's just another day.)

Karma and the nature gods appear to be collaborating, and are now on Dumoulin's side. During Thursday's Giro stage, Quintana and Nibali did nothing to challenge Dumoulin's lead, and with an individual time trial for Sunday's final stage—that's Dumoulin's specialty—he looks more like the 2017 Giro d'Italia winner. Sometimes, nature does give you a break.

OPINION

Anatomy of a Deep State



POTOMAC
WATCH
By Kimberley
A. Strassel

On May 8 a woman few Americans have heard of, working in a federal post that even fewer know exists, summoned a select group of 45 people to a June meeting in Washington. They were almost exclusively representatives of liberal activist groups. The invitation explained they were invited to develop "future plans for scientific integrity" at the Environmental Protection Agency.

Meet the deep state. That's what conservatives call it now, though it goes by other names. The administrative state. The entrenched governing elite. Lois Lerner. The federal bureaucracy. Whatever the description, what's pertinent to today's Washington is that this cadre of federal employees, accountable to no one, is actively working from within to thwart Donald Trump's agenda.

There are few better examples than the EPA post of Scientific Integrity Official. (Yes, that is an actual job title.) The position is a legacy of Barack Obama, who at his 2009 inaugural promised to "restore science to its rightful place"—his way of warning Republicans that there'd be no more debate on climate change or other liberal environmental priorities.

Team Obama directed federal agencies to implement "scientific integrity" policies.

Most agencies tasked their senior leaders with overseeing these rules. But the EPA—always the overachiever—bragged that it alone had chosen to "hire a senior level employee" whose only job would be to "act as a champion for scientific integrity throughout the agency."

In 2013 the EPA hired Francesca Grifo, longtime activist at the far-left Union of Concerned Scientists. Ms. Grifo had long complained that EPA scientists were "under siege"—according to a report she helped write—by Republican "political appointees" and "industry lobbyists" who had "manipulated" science on everything from "mercury pollution to groundwater contamination to climate science."

As Scientific Integrity Official, Ms. Grifo would have the awesome power to root out all these meddlesome science deniers. A 2013 Science magazine story reported she would lead an entire Scientific Integrity Committee, write an annual report documenting science "incidents" at the agency, and even "investigate" science problems—alongside no less than the agency's inspector general.

And get this: "Her job is not a political appointment," the Science article continues, "so it comes with civil service protections." Here was a bureaucrat with the authority to define science and shut down those who disagreed, and she could not be easily fired, even under a new administration.

Ms. Grifo perhaps wasn't too busy in the Obama years,

since EPA scientists were given carte blanche to take over the economy. She seems to have been uninterested when EPA scientists used secret meetings and private email to collude with environmental groups—a practice somewhat lacking in scientific integrity.

She has been busier these past few months. In March the Sierra Club demanded that the EPA's inspector general investigate whether the agency's newly installed administrator, Scott Pruitt, had

The EPA's 'Science Integrity Official' is plotting to undermine Trump's agenda.

violated policy by suggesting carbon dioxide might not be the prime driver of global warming. The inspector general referred the matter to . . . the Scientific Integrity Official. So now an unelected, unappointed activist could pass judgment on whether the Senate-confirmed EPA chief is too unscientific to run his own agency. So much for elections.

There's also that "scientific integrity" event planned for June. Of the 45 invitations, only one went to an organization ostensibly representing industry, the American Chemistry Council. A couple of academics got one. The rest? Earthjustice. Public Citizen. The Natural Resources Defense Council. Center for Progressive

Reform. Public Employees for Environmental Responsibility. Reporters Committee for Freedom of the Press. Environmental Defense Fund. Three invites alone for the Union of Concerned Scientists. Anyone want to guess how the meeting will go?

This is a government employee using taxpayer funds to gather political activists on government grounds to plot—let's not kid ourselves—ways to sabotage the Trump administration. Ms. Grifo did not respond to a request for comment.

Messrs. Pruitt and Trump should take the story as a hint of the fight they face to reform government. It's hard enough to overcome a vast bureaucracy that ideologically opposes their efforts. But add to the challenge the powerful, formalized resistance of posts, all across the government, like the Scientific Integrity Official. Mr. Obama worked hard to embed his agenda within government to ensure its survival. Today it is the source of leaks, bogus whistleblower complaints, internal sabotage.

Pitched battle with these folks is no way to govern. The better answer is dramatic agency staff cuts—maybe start with the post of Scientific Integrity Official?—as well as greater care in hiring true professionals for key bureaucratic posts. The sooner department heads recognize and take action against that deep state, the sooner this administration might begin to drain the swamp.

Write to kim@wsj.com.

Benjamin Franklin's Complicated Faith

HOUSES OF WORSHIP
By Thomas Kidd

Thursday marked the 230th anniversary of the opening of the Constitutional Convention in Philadelphia. The text of the unamended Constitution is notably secular, save for references like the "Year of our Lord" 1787. But the lack of religion in the document does not mean the topic went unmentioned.

Several weeks into the proceedings, the octogenarian Benjamin Franklin proposed that the meetings open with prayer. "How has it happened," he pondered, according to a copy of the speech in Franklin's papers, "that we have not, hitherto once thought of humbly applying to the Father of Lights to illuminate our Understandings?"

This was a poignant but peculiar suggestion coming from Franklin, the great printer, scientist and diplomat. He described himself in his autobiography as a "thorough deist" who as a teenager had rejected the Puritan faith of his parents. Why would Franklin ask the Philadelphia delegates to begin their daily deliberations with prayer?

Even stranger, few convention attendees supported the proposal. A couple of devout delegates seconded his motion, but it fizzled among the other participants. Franklin scribbled a note at the bottom of his prayer

speech lamenting, "The Convention except three or four Persons, thought Prayers unnecessary!"

If Franklin truly was a deist, he wasn't a very good one. Doctrinaire deists believed in a distant Creator, one who did not intervene in human history, and certainly not one who would respond to prayers. Yes, Franklin questioned basic points of Christianity, including Jesus' divine nature. Yet his childhood immersion in the Puritan faith, and his relationships with traditional Christians through his adult life, kept him tethered to his parents' religion. If he was not a Christian, he often sounded and acted like one.

The King James Bible, for example, had a significant influence on Franklin. From his first writings as "Silence Dogood"—the pseudonym he adopted when writing essays for his brother's newspaper, the New-England Courant—to his speeches at the Constitutional Convention, Franklin was constantly referencing the Bible. He knew it backward and forward, recalling even the most obscure sections of it from memory.

When he was a child, his family went at least a couple of times a week to a Congregationalist church in Boston, where the heavily doctrinal sermons could last for two hours. The bookish boy claimed he had read the whole Bible by the time he was 5. Although his parents

were of modest means, they once thought of sending him to Harvard to become a pastor. Concern about his growing teenage skepticism derailed those plans.

As a young man Ben did indulge some strident views and scurrilous behavior, especially on an extended trip to London. But he was certain that personal responsibility and industry were the keys to worldly success. He wrote of deism in his autobiography:

Though a self-avowed deist, he was deeply influenced by his Puritan upbringing.

"I began to suspect that this doctrine, tho' it might be true, was not very useful." So he devoted himself to a personal "plan of conduct," through which he tracked his practice of godly virtues.

He kept in steady contact with his sister Jane Mecom of Boston, an evangelical Christian and his closest sibling. He established a business relationship and longstanding friendship with George Whitefield, a celebrated evangelist during the Great Awakening of the 18th century. The preacher grilled him occasionally about the state of his soul, yet Franklin admired Whitefield and even fleetingly proposed that they start a colony together in the

Ohio territory, one that would model the best principles of Christianity.

Then came the Revolutionary War. Its weight, along with the shock of victory and independence, made Franklin think that God, in some mysterious way, must be moving in American history. "The longer I live," he told the delegates in Philadelphia, "the more convincing Proofs I see of this Truth, That God governs in the affairs of men."

He repeatedly cited verses from the Bible to make his case, quoting Psalm 127: "Except the Lord build the house, they labor in vain that build it." Without God's aid, Franklin contended, the Founding Fathers would "succeed in this political building no better, than the Builders of Babel." At the Revolutionary War's outset, as he reminded delegates, they had prayed daily, often in that same Philadelphia hall, for divine protection. "And have we now forgotten that powerful friend?"

In today's polarized political and religious environment, some pundits seek to remake the Founding Fathers in their own image. Benjamin Franklin's example reveals that the historical truth is often more complicated.

Mr. Kidd is a professor of history at Baylor University and the author of "Benjamin Franklin: The Religious Life of a Founding Father" (Yale, 2017).

They Also Serve Who Contract Out

By Peter J. Woolley

They aren't counted as boots on the ground or considered veterans when they return home. When wounded or killed they aren't saluted by the president or interred at Arlington Cemetery. They are the thousands of contractors, working for the Pentagon or the State Department, who allow regular GIs to go home or to concentrate on combat operations.

In Iraq and Afghanistan contractors have done everything from cook meals, to deliver fuel, to secure perimeters around civic projects. Because the private companies that employ them are responsible for recruitment, training and compensation, the government is freed from having to offer Veterans Affairs care or other costly benefits. But the biggest advantage to Washington of using contractors is that they are invisible to the public.

Since 2001, more than 2,350 American troops have been killed in Afghanistan and more than 4,400 in Iraq. Deaths of contractors are harder to track, since they work for private companies, under contracts for different

At least 3,200 private workers have died in Iraq and Afghanistan.

agencies, and are not all American nationals. But at least 3,200 have died in Afghanistan and Iraq, according to figures from the Labor Department. On Memorial Day, we might ponder, remember, perhaps even honor them. Although they are not in uniform, they have lost their lives fighting America's wars.

The replacement of conscription with an all-volunteer

military during the waning days of the Vietnam War made Americans less sensitive to what their troops were sent to do. Contractors are even a further step removed from the public mind. Conveniently, this gives the executive branch latitude to intervene abroad and to sustain those operations in the face of strategic missteps. Thus, the longest overseas conflicts in American history continue in Afghanistan and Iraq with little protest.

At the end of 2007, there were 166,000 American troops serving in Iraq. There were also another 155,000 contractors—nearly one for every GI—according to an April report from the Congressional Research Service. Today perhaps as many as 5,000 U.S. troops are back in Iraq, along with around 4,000 contractors.

The story is similar in Afghanistan. Despite having

achieved its declared objective of overthrowing the Taliban, the U.S. has stayed. President Obama declared that Memorial Day in 2015 "is especially meaningful; it is the first since our war in Afghanistan came to an end." By this he apparently meant that there were fewer than 10,000 military personnel still in the country. He didn't mention that another 10,000 American contractors remained, along with nearly 20,000 non-American contractors.

These men and women, however invisible, have for years stood next to American troops and in harm's way. Though they will never receive the glory of a veteran's homecoming, surely on Memorial Day we can remember them too.

Mr. Woolley is professor of political science at Fairleigh Dickinson University in New Jersey.

military during the waning days of the Vietnam War made Americans less sensitive to what their troops were sent to do. Contractors are even a further step removed from the public mind. Conveniently, this gives the executive branch latitude to intervene abroad and to sustain those operations in the face of strategic missteps. Thus, the longest overseas conflicts in American history continue in Afghanistan and Iraq with little protest.

The story is similar in Afghanistan. Despite having

BOOKSHELF | By Sam Sacks

Cape Cod Vs. the Ocean

The Outer Beach

By Robert Finch
(Norton, 327 pages, \$26.95)

The Cape Cod known to most visitors is a tranquil, easy-going place, a haven for beachcombing and nature walks, Sunfish sailing and surfcasting, fried clams, used bookstores and summer league baseball, where the only real dangers are ticks and bridge traffic.

But there is another Cape Cod, one described by Henry Beston in "The Outermost House," his classic 1928 account of a year spent in a two-room cottage on the dunes in Eastham. Beston saw something more elemental, a narrow peninsula of sand engaged in a mighty war with the forces of the ocean. "Age by age," he wrote, "the sea here gives battle to the land; age by age, the earth struggles for her own, calling to her defense her energies and her creations, bidding her plants steal down upon the beach, and holding the frontier sands in a net of grass and roots which the storms wash free. The great

rhythms of nature, to-day so dully disregarded, wounded even, have here their spacious and primeval liberty."

In his lovely and fortifying book "The Outer Beach," Robert Finch records his observations from the site of the battle. His subtitle, "A Thousand-Mile Walk on Cape Cod's Atlantic Shore," is a bit of a ruse—this is a "walk" that Mr. Finch has accumulated during 50 years of exploring the 40-mile-long forearm of Cape Cod, from the Monomoy Islands south of Chatham to Provincetown's Long Point. The essays gathered here reflect his adventures in beachgoing from the 1960s to the present, and they sing with Beston's notion of primeval liberty, or what Mr. Finch calls "life and death in untrammeled freedom."

Mr. Finch is a practiced hand at this kind of essay—I highly recommend his collections "Common Ground" (1981) and "Outlands" (1986)—yet, as he admits, he is following the vanished footprints of a remarkable roster of Cape Cod nature writers. "The Outer Beach" doubles as a rich literary tour, citing regional classics like Thoreau's "Cape Cod," Wyman Richardson's "The House on Nauset Marsh" and John Hay's "The Great Beach." But "The Outermost House" is the strongest influence, and it was Beston who best exemplified the signature qualities of Cape writing: a taste for solitude, a healthy—okay, crotchety—distrust of modern convenience, a gruff sort of lyricism and most of all a keen sense of wonder.

Wonder steals upon Mr. Finch regularly in these essays, and readers need not have visited Cape Cod to recognize the excitement he describes in arriving at the shore: "There is always something momentarily purifying, a sudden but brief surge of the soul on first gaining the beach that no amount of repetition, anticipation, or inner dullness can completely block. That first moment of entrance, like that of love's, is always one of newness and promise."

Newness, yes, and yet anything new is the result of the creative destruction wrought by wind and surf. Mr. Finch writes about the Great Blizzard of 1978, which whipped up tides that swallowed huge stretches of the barrier beach and made short

Geologists predict Cape Cod will be swallowed by the sea in some 6,000 years. Robert Finch reminds us to appreciate it while it's here.

work of the private shacks that perched on the dunes. On the coast at Wellfleet, where cliffs loom above the beach, he finds high drama in the spectacle of erosion, which creates caves and cirques embellished with "fantastic patterns of sand, iron leachate, blue and yellow clay."

And nowhere is the land's impermanence more apparent than at the bird-filled Monomoy National Wildlife Refuge. "If Cape Cod is a metaphor for time," Mr. Finch observes, "a constantly changing landform registering the geological hours, then Monomoy Island is its sweep second hand, caught in the grip of the same forces of change, but recording them much more quickly and visibly. It is the cartographer's despair and the coastal geologist's delight."

Change is usually perceived to be adversarial in nature writing, because it's brought on by pollution or other harmful man-made intrusions. The heartening thing about "The Outer Beach," though, is how little the essence of Mr. Finch's observations alters over the 50 years. Superficial details differ, of course: In an episode from 2016 he wryly recounts coming upon two sightseers in the Provincelands who ask if an Uber would be able to pick them up in the dunes. But for all of Mr. Finch's talk of impermanence, there's a hopeful strain of constancy here. The plovers return to nest each spring, humpback whales breach off in the Atlantic and the tides sing the same "ancient, aching song" to him as they did to Beston and Thoreau.

The lessons are much the same, too. Foundational to all the best Cape Cod writing is the belief that close attention to the indifferent forces of nature gives one a salutary sense of humility and proportion. Beston, a veteran of the First World War, found on the beaches and marshes a restorative escape from the "complicated artifice" of civilization, and though Mr. Finch seems generally more comfortable in society, he too stresses that "we need more wilderness, if only because humans need to look outward and behold something other than their own faces peering back at them."

This goes to the heart of the Cape's special magic—it is still one of the best places to get away from our own overbearing selves.

While it lasts, at least. As Mr. Finch points out, geologists estimate that Cape Cod will disappear in around 6,000 years. (He has bad news for Nantucketers: Your island has a mere 800 years left.) Eventually the sea is going to win the war. "Who's protesting?" he asks. "Who's taking the ocean to court to 'save the Cape'? We make such a mighty fuss, as if it matters, even to us. We are spindrift, and we know it." Until it goes, may there continue to be writers as good as Mr. Finch to commemorate it.

Mr. Sacks writes the fiction chronicle for *The Wall Street Journal's weekend edition*.

In SUMMER BOOKS this weekend

Birth of the cool • How beauty evolves • An ode to Otis Redding • China's great books • The elements of flavor

• Ali outside the ring • Killer birds • Boy toys & manly men • The liberal arts in the digital age • & much more

OPINION

REVIEW & OUTLOOK

Trump Sells Out NATO!

Donald Trump creates many of his own problems, but sometimes he can't win no matter what he does. Consider the uproar on Thursday because the President supposedly did not explicitly endorse NATO's Article 5 commitment that an attack on one ally is an attack on all.

Nicholas Burns, a Harvard professor and beating heart of the U.S. diplomatic establishment, followed Mr. Trump's speech with a Twitter barrage that included: "Every US President since Truman has pledged support for Article 5—that US will defend Europe. Not so Trump today at #NATO. Major mistake." The herd of independent media minds then stamped with the theme that Mr. Trump had deliberately failed to commit the U.S. to defending Europe against attack.

But is that really what happened? Mr. Trump was speaking, briefly, at an event at NATO headquarters in Brussels unveiling the Article 5 and Berlin Wall Memorials. The Article 5 Memorial commemorates the only time that NATO has triggered Article 5, which came after al Qaeda's attack on the U.S. on 9/11. The Memorial includes a remnant of the World Trade Center's North Tower.

Here is what Mr. Trump said in the third paragraph of his speech: "This ceremony is a day for both remembrance and resolve. We remember and mourn those nearly 3,000 innocent people who were brutally murdered by terrorists on September 11, 2001. Our NATO allies responded swiftly and decisively, invoking for the first time in its history the Article 5 collective defensive commitments."

So let's see: By speaking at an event commemorating Article 5, and explicitly citing and

praising Article 5's invocation on 9/11, Mr. Trump was really trying to send a message that he doesn't believe in Article 5? Who knew Mr. Trump was capable of such messaging subtlety?

Mr. Trump did follow his reference to Article 5 with blunt demands for NATO burden sharing. Critics say this implied that the U.S. won't come to Europe's defense until all of NATO's members spend at least 2% of their national GDP on the military, as NATO's guidelines demand.

But if that's what he was trying to say, consider Mr. Trump's reference in his speech that "the NATO of the future must include a great focus on terrorism and immigration, as well as threats from Russia and on NATO's eastern and southern borders." The reason that Article 5 was included in the NATO charter in the first place is the threat from Russia, and Mr. Trump mentioned that threat.

Mr. Trump started his credibility problem on NATO with his campaign comments that the alliance was "obsolete." We criticized him at the time. But as President he has walked at least 90% of that back—by supporting Montenegro's entry into the alliance despite Russia's furious opposition; by following through with new NATO deployments on the alliance's eastern front, including a U.S.-led battalion; and this week with a new NATO commitment to join the coalition against Islamic State.

It's fair to whack Mr. Trump if he indulges his many bad instincts, but it serves no one other than Vladimir Putin to suggest without evidence that the U.S. won't honor its NATO commitments—or to drive a wedge between allies simply to make Mr. Trump look bad.

Well, no, but a Trump speech triggers another overwrought uproar.

chains when they were nearly forced to cancel these plans.

The budget gnomes ignore some insurance for high-cost illness.

But the strangest part of CBO's preoccupation with "high-cost medical events" is that the analysts never once mention catastrophic coverage—not once. These types of plans didn't cover routine medical expenses but they did protect

consumers against, well, a high-cost medical event like an accident or the diagnosis of a serious illness. Those plans answered what most people want most out of insurance—financial security and a guarantee that they won't be bankrupted by cancer or a distracted bus driver.

ObamaCare even preserved a form of catastrophic coverage—with low monthly premiums that cover 100% of expenses over a very high deductible. The catch is that you have to be under age 30 or obtain a "hardship exemption" because comprehensive ObamaCare policies are too expensive despite the subsidies.

The average monthly premium for catastrophic coverage in 2016 was \$175 even with ObamaCare rules that require these plans to cover three "free" primary care visits a year, and the GOP tax credits are large enough to pay for such coverage as a minimum floor.

The point is that under the House reform Americans won't have any problem insuring against a bad health event, even if CBO won't admit it. The House bill is designed to create more alternatives that can accommodate the diverse needs and preferences of a nation of some 320 million people. CBO has become a fear factory because it prefers having government decide for everybody.

The Ivanka Entitlement

Ivanka Trump is known to have her father's ear, often for the better, but many of her political instincts lean left. Case in point is a paid family leave proposal that the White House rolled out this week in the President's 2018 budget. President Trump is asking Republicans to start a bidding war for government family benefits, which is bad policy and worse politics.

Mr. Trump's budget would require states to provide six weeks of paid family leave for new mothers and fathers, as well as adoptive parents. States would have "broad latitude to design and finance" the benefit, which would be delivered through unemployment insurance. States would be forced to work out how much to pay parents, whether to ban a beneficiary from working during the leave, and dozens of other details. The budget says the program will cost the feds \$25 billion. The cost is offset in theory by reducing waste and abuse in unemployment insurance.

The left is naturally panning the plan as stingy. Hillary Clinton promised 12 weeks of paid leave financed by increasing taxes on the rich. Mrs. Clinton also said the benefit could be applied to caring for elderly parents or other family events. Some on the right will complain that the Trump plan undervalues stay-at-home moms, so expect a later iteration to include a subsidy for parents who leave the workforce to raise children.

Once an entitlement is codified it expands. Proponents note that underwriting the benefit requires only a tiny increase in taxes, or some other levy on businesses. But wait until Democrats double or triple the duration of the leave, which they will do as soon as they are in power.

Democrats are already calling a \$25 billion subsidy too stingy.

The idea that Republicans can propose a cost-effective entitlement is delusional, though many on the right accept income redistribution as long as the money flows to GOP constituencies.

As usual the policy sounds unobjectionable but the details are messy. If the benefit is available regardless of income, the government will

subsidize affluent families who don't need assistance. But inevitably the benefit will phase out as income rises like dozens of other federal subsidies. That could create another disincentive for work and advancement that traps families in poverty.

The same is true for the Trump plan to expand the earned-income tax credit to help with child-care costs. An additional hour of work has to fetch more in earnings than what a family would lose in benefits, and for low-income workers that's often impossible.

These realities capture little attention because the paid leave debate is so devoid of reason. The left chants that every industrialized country in the world offers some form of paid family leave—even Oman—but one reason European countries have inflexible labor markets and higher unemployment is because they make hiring more expensive.

Companies like Netflix, which offers salaried employees up to a year of family leave, are held up as an example of how more American businesses should operate. Note that all of the feted companies have created billions in wealth, which is a clue: A growing and dynamic economy will lead to more generous employee benefits than Mr. Trump's proposed political redistribution.

trade case, the country dumping the steel can often bypass the remedy. It can process the steel in a slightly different manner, allowing it to be relabeled in a product category not subject to duties; it can make transshipments to the U.S. through other countries or it can otherwise camouflage its exports.

Even though the U.S. has successfully prosecuted 152 steel cases, the dumping hasn't stopped and there are an additional 33 steel-trade cases now pending. MFN is no help against serial dumpers.

An ideal global trading system would facilitate adoption of the lowest possible level of tariffs. In this ideal system, countries with the lowest tariffs would apply reciprocal tariffs to those with the highest and then automatically lower that reciprocal tariff as the other country lowers theirs. This leveling technique could be applied product by product or across the board on an aggregated basis. Such a modification would motivate high-tariff countries to reduce their tariffs on imports.

A second modification would be to suspend MFN rules for countries that repeatedly dump products onto the global market. If a country successfully prosecutes five or more cases against an individual trading partner for a class of similar products, then MFN should be suspended for those products lines for an initial period of five years. In sum, the existing MFN clause was intended to bar untoward behavior by importers, and it did so effectively. But it also encouraged inappropriate behavior by exporters.

The conceptual approach at the WTO of favoring the interest of exporters over countries overwhelmed by imports is rampant and unfair. The WTO's most recent annual report laments the increasing number of trade cases as being a global shift toward more protectionism, ignoring the fact that rule-breaking behavior by exporters is the reason more cases are being filed. The WTO should be independent, not biased toward exporters as it is now.

WILBUR ROSS
*U.S. Secretary of Commerce
Washington*

LETTERS TO THE EDITOR

MFN Rule Hurts Importers, Limits U.S. Trade

Chad P. Bown and Alan O. Sykes's "The Trump Trade Team's Vocabulary Problem" (op-ed, May 15), while arguing to the contrary, points out exactly why the Most Favored Nation (MFN) clause at the World Trade Organization impedes free trade, rather than fostering it.

The authors admit that because American auto tariffs are so much lower than those of other countries, the only way U.S. trade negotiators can get trading partners to reduce their tariffs is by giving concessions against other U.S. industries. This, then, requires the government to pick winners and losers in our own economy. Worse yet, we must do so in the context of tariffs that we've unilaterally lowered repeatedly in the past. This is the reality U.S. negotiators face in contrast to the convenient hypotheticals put forward in the op-ed.

MFN also interacts with Free Trade Agreements (FTAs) in unfortunate ways. The U.S.-Mexico FTA eliminated all automotive tariffs in both directions. Mexico's separate FTA with Europe eliminated tariffs on auto exports to the EU, and Mexico has similar deals with dozens of other countries.

Because the U.S. doesn't have an FTA with Europe, the EU collects a 10% duty on American automobile imports. These tariff differentials are \$4,000 on a \$40,000 car exported to Europe—far more than the \$1,500 labor savings in Mexico. Unlike the simple hypotheticals posed in the op-ed, these trading inequities are a reality. MFN is of no help. If instead we could tell the Europeans that unless they drop their tariff on autos from the U.S. to our rate of 2.5%, we will raise the tariff on their autos to match their 10%. The likely result will be a 2.5% tariff in both directions. Since MFN prohibits this, it is a barrier to free trade, not a help toward achieving it, as suggested in Monday's piece.

The U.S. has no tariffs on steel imports. China's steel tariffs average 4%-5%. The result: Our only defense against subsidized foreign steel imports is to bring specific trade cases against individual foreign producers with the hope of prevailing years later.

But then when the U.S. does win a

No Golden Age, but Fewer Complainants Then

Regarding Laura Vanderkam's May 16 review of Sen. Ben Sasse's "The Vanishing American Adult" (Bookshelf): I disagree with several of her statements, especially, "The idea that people in the past widely exhibited a virtue we now lack seems questionable." That rankles this World War II veteran's bones.

I grew up during the Great Depression when people went house to house asking to work for food. The unemployment rate was 25%, but those adults still practiced civility. I spent much of the war years in high school when gasoline and foodstuffs were rationed. The adults and teenagers didn't whine about any of those hardships. Even more telling was the stoicism of those called to service even though

a substantial number gave their lives, and more nursed their wounds for the remainder of their lives. The women of that period willingly went to work in factories to support our troops. Again, no whining.

It doesn't take much knowledge of history to realize that the last couple of generations have a culture that differs dramatically from that of the World War II generation. Unfortunately not many of that generation are still around to challenge Ms. Vanderkam.

R.D. LUNDBERG
Port St. Lucie, Fla.

Community Reinvestment Act Misses Rural Borrowers

"Banks See Low Income Where the Rich Shop" (Business & Finance, May 19) highlights one of many aspects of the Community Reinvestment Act that should be improved. While wealthy urban areas are saturated with branches, rural areas of California are seeing the opposite dynamic, with fewer branches and less access to accounts, credit products and investments. Branches are especially important for consumers who don't have access to online banking. Rural areas are getting short shrift in part because they often aren't a focus in bank CRA exams.

However, if regulators were to conduct more full-scope reviews of the rural communities in a bank's assessment area, it is likely banks would put a greater focus on meeting community credit needs in those areas.

PAULINA GONZALEZ
*Executive Director
California Reinvestment Coalition
San Francisco*

He Beat 'Em All in Primaries

In his May 9 letter Max Wisotsky says that: "Leftists are still bitter and enraged that they lost an election they could easily have won," and "Mrs. Clinton was probably the only person in the entire U.S. who could have lost to Donald Trump." Apparently he forgot that Donald Trump defeated 16 Republican candidates including senators, governors and leaders of industry for the Republican nomination. I guess beating Mr. Trump isn't so easy.

ROBERT BYHRE
Palm Springs, Calif.

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

Pepper ... And Salt

THE WALL STREET JOURNAL



"He is survived by five hundred and eighty three Facebook friends."

OPINION

Mandatory Minimums Don't Deserve Your Ire

By Heather Mac Donald

Atorney General Jeff Sessions is being tarred as a racist—again—for bringing the law fully to bear on illegal drug traffickers. Mr. Sessions has instructed federal prosecutors to disclose in court the actual amount of drugs that trafficking defendants possessed at the time of arrest. That disclosure will trigger the mandatory penalties set by Congress for large-scale dealers.

Mr. Sessions's order revokes a 2013 directive by former Attorney General Eric Holder telling prosecutors to conceal the size of traffickers' drug stashes so as to avoid imposing the statutory penalties.

Jeff Sessions's policy won't lock up harmless stoners, but it will help dismantle drug-trafficking networks.

Contrary to the claims of Mr. Sessions's critics, this return to pre-2013 charging rules is neither racist nor an attack on addicts.

The impetus to eliminate open-air drug markets has historically come from law-abiding residents of minority neighborhoods, as books by both Michael Fortner and James Forman have documented. In 1973 a Harlem pastor named Oberia D. Dempsey called for mandatory life sentences for heroin and cocaine

dealers, because the "pusher is cruel, inhuman and ungodly.... He knows that he's committing genocide but he doesn't care." In 1986 Brooklyn Congressman Major Owens introduced a bill to increase federal crack penalties. "None of the press accounts really have exaggerated what is actually going on," he said. In 1989 Atlanta Mayor Maynard Jackson pledged to make "the drug dealer's teeth rattle" and proposed seizing dealers' assets.

Today people living under the scourge of open-air drug dealing still face the constant threat of violence. Only months ago Chicago mourned 11-year-old Takiya Holmes, struck by a stray bullet fired by a 19-year-old marijuana dealer. Former FBI Director James Comey once described the aftermath of a raid in northwest Arkansas that busted 70 drug traffickers. "As our SWAT teams stood in the street following the arrests of the defendants," he said in a 2015 speech, "they were met by applause, hugs and offers of food from the good people of that besieged community." The town was predominantly black, and so were nearly all the drug dealers.

The argument that Mr. Sessions's order penalizes addiction also falls flat. For a mandatory federal sentence to come into play, a dealer has to be caught with an amount of drugs that clearly reveals large-scale trafficking. To trigger a mandatory 10-year sentence, a heroin trafficker, for example, must be caught with a kilogram of the drug,



GETTY IMAGES

Marijuana seized near the U.S.-Mexico border in Hidalgo, Texas, 2013.

a quantity that represents 10,000 doses and currently has a street value of at least \$100,000.

No one who gets caught smoking a joint is going to be implicated by Mr. Sessions's order. The number of federal convictions for simple possession is negligible: only 198 in 2015. Most of those were plea-bargained down from trafficking charges, usually of marijuana. Last year the median weight of marijuana possessed by those convicted of simple possession was 48.5 pounds. To trigger a mandatory penalty for marijuana trafficking, a dealer would need to be caught with more than 2,200 pounds of cannabis.

Finally, the idea that Mr. Sessions's memo will exacerbate racial

disparities in prison does not stand up to the facts. Drug enforcement is not the cause of those disparities. In 2014, 37.4% of state and federal prisoners were black. If all drug prisoners—who are virtually all dealers—had been released, the share of black prisoners would have dropped to 37.2%. What truly causes racial disparities in incarceration is racial disparities in violent crime.

Likewise, it is America's higher violent-crime rates overall, not drug enforcement, that cause the country's higher incarceration rates compared with other Western industrialized countries. The U.S. homicide rate is seven times the average of 21 Western developed nations plus Japan; the U.S. gun homicide rate is

19.5 times that average. Americans ages 15 to 24 kill with guns at nearly 43 times the rate of their counterparts in those same industrialized nations.

Prison is a bargain compared with the costs of crime. In 2010, the last year for which a full breakdown of corrections spending is available, the states and the federal government spent \$43 billion on confining prisoners. By comparison, Americans spend \$7.4 billion on Halloween.

The damage done by uncontrolled crime, including open-air drug markets, dwarfs the costs of incarceration. The federal Department of Housing and Urban Development alone spent \$88 billion in 2014 on grants to troubled neighborhoods. That's a minute fraction of what federal, state and local authorities spend responding to crime and its cascading effects through communities and their economies.

Mandatory minimum sentences are a valuable tool for inducing drug dealers to cooperate with prosecutors in identifying fellow members of large drug-trafficking networks. Under Mr. Sessions's directive, prosecutors will retain the discretion to avoid the mandatory minimum if the facts of a case warrant. The Sessions order restores transparency to prosecution and recognizes the toll that street drug markets take on poor Americans.

*Ms. Mac Donald is a fellow at the Manhattan Institute and the author of *The War on Cops*.*

Trump Faces the Fury of a Scorned Ruling Class

By George Melloan

A lobbyist friend who visited Capitol Hill recently came away horrified. "I now am ready to believe that the partisanship is so unhinged that it's a threat to the Republic," she writes in an email.

This Washington hysteria comes at a time of full employment, booming stocks, relative peace and technological marvels like an electronic robot named Alexa who fetches and plays for you songs of your choice. What's the fuss about?

We all know the answer: Donald Trump. The Washington body politic has been invaded by an alien presence and, true to the laws of nature, that body is feverishly trying to expel it. These particular laws of nature demand rejection of anything that threatens the livelihoods and prestige of the permanent governing class.

The "threat" that has Washington quaking is the first serious effort in a long time to curb federal regulatory power, wasteful spending, and a propensity to run up mountainous budget deficits and

debt. That's presumably what the voters wanted when they elected Donald Trump. Democrats—accurately regarded as the party of government—seem to fear that Mr. Trump might actually, against all odds, pull it off.

The Washington Post, the New York Times and other apostles of the Democratic Party have apparently set out to prove that despite their shaky business models they can still ignite an anti-Trump bonfire. A recent headline in the Post asserted that "Trump's scandals stoke fear for the 2018 midterms among Republicans nationwide."

What scandals would those be? There was of course the firing of FBI Director James Comey. Democrat Hillary Clinton went on TV to claim that Mr. Comey cost her the election. Mr. Trump fired Mr. Comey. Did Democrats praise the president? No, they want him impeached. Devious logic, but devious is a good descriptor of much of what goes on in this fight.

Mr. Comey retaliated by leaking a "big scoop" to the Times—notes taken when Mr. Trump allegedly asked him to back off on the investigation of national security adviser Mike Flynn. But let's recall the circumstances of this "investigation." The Obama administration—possibly the FBI—tapped a phone conversation between Mr. Flynn and Russian Ambassador Sergey Kislyak. Then Mr. Obama's minions used the raw data to "unmask" Mr. Flynn and

get the retired general fired for not giving a full account of the discussion. Given that sorry record of political involvement, was Mr. Trump so wrong if he asked Mr. Comey to go easy?

Then there was the Post's "shocking" revelation that the president gave classified information to Russia's foreign minister. The president is commander in chief of the U.S. military and conducts foreign policy. The intelligence agencies

work for him, and he is responsible for using what they provide to further U.S. interests. Is it so unlikely that a friendly tip to Russian Foreign Minister Sergei Lavrov about an ISIS tactic was calculated to earn trust? A more interesting question is who walked out of the room and illegally handed the Post this "scoop."

Russians aren't popular in the U.S., for many good reasons. That has its uses for Trump baiters. Democratic claims that Mr. Trump conspired with the Russians to swing the November election led the Justice Department to appoint a special prosecutor, former FBI chief Robert Mueller, to investigate. But is this claim even slightly plausible? So far all we have are anonymous officials who claim that intelligence agencies know of individuals with connections to the Russian government who supplied WikiLeaks with hacked emails from the Democratic National Committee and John Podesta's accounts. But these officials are still unwilling to go on the record.

The Washington community knows how to fight back when it

feels threatened. Leakers are having a ball, even if it has taken a lot of journalistic imagination to turn the most notorious leaks into "scandals." Almost everyone in town has a stake in fending off the Trump threat: government workers and the businesses that serve them, public unions, lobbyists and their clients, owners of posh hotels and restaurants that cater to well-heeled visitors seeking government favors, journalists whose prestige derives from the power center they cover, academics who show politicians how to mismanage the economy, real-estate agents feeding on the boom—to name a few. It's a good living, and few take kindly to a brash outsider who proclaims it is his mission to drain the swamp.

Mr. Trump is on the attack and Washington is fighting back. Is the Republic in danger? Another question is how much danger will it be in if Mr. Trump loses?

Mr. Melloan is a former deputy editor of the Journal editorial page and author of "When the New Deal Came to Town," (Simon & Schuster, 2016).

Let the Private Sector Help Tackle the Migration Crisis

By George Clooney

As the most powerful leaders in the world gather in Sicily this week for the annual Group of Seven Summit, they will address today's most pressing challenges. The list is daunting—terrorism, famine, geopolitical instability and uncontrolled immigration, to name a few. A bolder, broader approach is essential if lives are to be saved.

The statistics drive home the severity of the problem. Conflict or persecution has displaced 65 million citizens—more than at any time in history. Nearly 100,000 of the asylum seekers are unaccompanied children. If it were a state, this vulnerable population would constitute the 21st-largest country in the world. Another 20 million people, including 1.4 million children, are at risk of death from imminent famines in places such as Nigeria, Somalia, South Sudan and Yemen.

The debilitating impact of these issues is contagious and can weaken

the will of us all. In fact, the Aurora Humanitarian Index, an international survey released this week, reveals just 9% of the respondents believe they can make a difference in solving the global refugee crisis.

The world needs new recruits to succeed in addressing today's challenges. For decades, the G-7, G-20 and United Nations have declared commitments to save the most vulnerable from war, famine, disease and other calamities. At last fall's U.N. General Assembly, global leaders pledged more assistance to countries where populations are at risk, better access to education for children, more humanitarian aid, and increased help for resettling refugees. The challenge for leaders gathering at the G-7 summit in Italy this weekend is how they can mobilize global support for a comprehensive action plan that implements the U.N.'s declarations.

Any such plan should consider several additional tools to overcome inaction and galvanize progress.

First, we need to empower and highlight the "Power of One," the role individuals can play in implementing change from the bottom up. You can trace it from a brave Yazidi girl in Iraq to a doctor in the Nuba Mountains in Sudan all the way to a refugee in my home town of Augusta, Ky.

We all understand that it's not acceptable to take care only of yourself. That spirit is exemplified by a group meeting this week in Yerevan, Armenia, as part of the Aurora Prize Initiative. Humanitarians from civil society, academia and business will discuss how to overcome indifference and take action on many of the same humanitarian challenges being addressed in Italy. The Aurora gathering will honor individuals who put themselves at risk to help the most vulnerable populations in such places as Afghanistan, the Democratic Republic of Congo, Somalia, Sudan and Syria.

We have seen the difference these real-world saviors make, without fanfare. They are the doctors, nurses, aid workers, journalists and human-rights activists who put their lives on the line every day. The G-7 must

highlight their impact and stress the need to protect them.

We have to be more creative in addressing the root causes of the crises, especially corruption. I'm one of the founders of the Sentry—a nongovernmental team of financial forensic investigators and country

Finally, we need to harness the power of business to advance humanitarian solutions. With ample resources and less bureaucracy, the private sector can play a much more important role in addressing famine, providing health care and education, and delivering clean water.

Business leaders increasingly want to incorporate humanitarian efforts into the work of their companies. The international yogurt manufacturer Chobani, for example, not only helps resettle refugees but also employs and educates them so they can enjoy a better life. This needs to become the norm, not the exception, for 21st-century businesses.

To succeed in addressing these global issues, world leaders should make a real effort to incorporate missing elements in pursuit of a more comprehensive strategy. We have so much work to do. We need all hands on deck.

Mr. Clooney is a co-founder of The Sentry and serves as the co-chair of the Selection Committee for the Aurora Prize for Awakening Humanity.

Notable & Quotable: Will Yale Ever Learn?

From James Freeman's Best of the Web, May 25:

You might expect Yale University President Peter Salovey to be hanging his head in shame after allowing radical students to run former administrator Erika Christakis off campus because she dared to defend free expression. Specifically, in 2015 Ms. Christakis suggested that instead of having the university ban Halloween costumes that some students didn't like, perhaps offended students should simply try to ignore them. You would be wrong.

Mr. Salovey's Yale not only chose

not to support Ms. Christakis and her husband Nicholas in the face of screaming, threatening campus bullies.... Now the university has decided to underline its commitment to unwritten limits on free speech by handing out awards to two of Yale's most prominent Christakis critics.

At its annual Class Day ceremony, Yale awarded its Nakanishi Prize, "to two graduating seniors who, while maintaining high academic achievement, have provided exemplary leadership in enhancing race and/or ethnic relations at Yale College."

Yale stated that Alexandra Zina

Barlowe "has focused her scholarship on issues of land usage, cooperative economies, and reparations in the American South." According to the university: "She is described as a fierce truth-teller who illuminates the challenges affecting her communities, rooting them in history and context in order to promote a deeper understanding of them..." .

Yale also honored Abdul-Razak Zachariah, claiming he "has worked to improve Yale's racial and ethnic relations through his academic work, both within his Sociology major and in the Education Studies program."

The school seems to view the events of 2015 as some kind of triumph, instead of the offense they represented against the basic idea of a university.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp

Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

DOW JONES
News Corp

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES



perfectsleeper.®

Helps solve
5 common
sleep problems

So you'll never count
these guys again

Select your perfect mattress and
find a store near you at Serta.com



BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

* * * * *

THE WALL STREET JOURNAL.

Friday, May 26, 2017 | B1

S&P 2415.07 ▲ 0.44%

S&P FIN ▲ 0.24%

S&PIT ▲ 0.78%

DJ TRANS ▲ 1.57%

WSJ \$IDX ▲ 0.21%

LIBOR 3M 1.200

NIKKEI (Midday) 19762.11 ▼ 0.26%

See more at WSJMarkets.com

China Buys Calm for Its Currency

Central bank moves to stabilize yuan but risks sharp drop if it comes under pressure

China's central bank is effectively anchoring the yuan to the dollar, a policy twist that has helped to stabilize the cur-

By Lingling Wei
in Beijing and Saumya
Vaishampayan
in Hong Kong

rency in a year of political transition and market jitters about Beijing's economic management.

The yuan weakened more than 6% against the dollar in 2016; this year, it is up roughly 1%, and the expectation that the currency will fluctuate—measured by a gauge known as implied volatility—is around its lowest in nearly two years.

The newfound tranquility

might not last: The focus seen in recent weeks on stability against the dollar, whether it goes up or down, means pressure on the yuan to weaken could get dangerously bottled up, potentially bringing bouts of sharp devaluation.

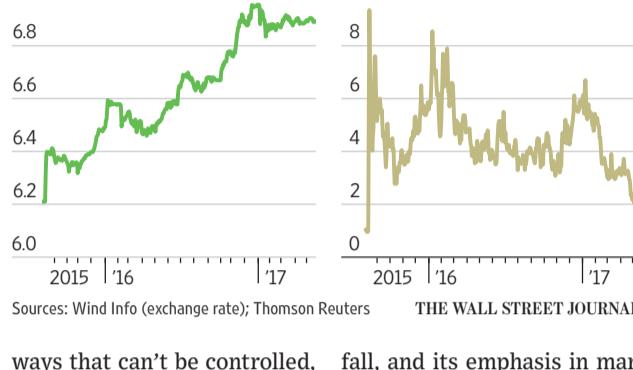
On Wednesday, Moody's Investors Service cut China's sovereign-credit rating, citing the peril of rising debt as growth slows. The effort to keep up with the dollar could add to the challenge by forcing the central bank to keep burning through its foreign-exchange reserves to support the yuan.

How China manages its currency is one of the most consequential decisions in global financial markets, and one that remains largely inscrutable to investors. As Beijing tackles a huge buildup of corporate debt, many investors worry the process could create more risk and even, if long-suppressed volatility erupts in

Self-Control

China's apparent currency peg to the dollar has helped drive expectations of volatility to the lowest level since before the central bank devalued the yuan in 2015.

How many yuan one dollar buys



Sources: Wind Info (exchange rate); Thomson Reuters

One-month implied volatility for the dollar against the yuan

try's currency market has been relatively calm.

The People's Bank of China's previous strategy was to let the yuan track the dollar when the U.S. currency weakened, part of a tactic to guide the currency steadily lower but keep it from falling too fast. When the dollar strengthened, the central bank shifted the yuan's "fix" instead to a basket of currencies.

With damping currency volatility against the dollar now a bigger priority, the yuan has been propped up even as the dollar rises. A case in point:

Early Wednesday, the yuan's official value came in at 6.8758 a dollar, well firmer than the markets' expectation for 6.9 per dollar and only slightly weaker than the previous fixing. A day later, after the Moody's downgrade, the central bank again fixed the yuan stronger than expectations, and traders say some

Please see YUAN page B2

ways that can't be controlled, set off a financial crisis.

The shift toward the dollar comes in a year of enormous political stakes. Beijing is preparing for a twice-a-decade leadership transition in the

fall, and its emphasis in markets and the economy has been on stability.

While recent regulatory efforts aimed at curbing debt rattled Chinese markets for stocks and bonds, the coun-

OPEC's Oil Cuts Disappoint Investors

Oil prices plunged nearly 5% after OPEC's announcement to extend production cuts disappointed traders who had hoped for a more aggressive plan to boost the price of crude.

By Summer Said,
Stephanie Yang and
Alison Sider

The market's reaction, the biggest one-day decline in three weeks, took many investors by surprise because the cartel did what its leaders suggested it would do before their meeting Thursday in Vienna.

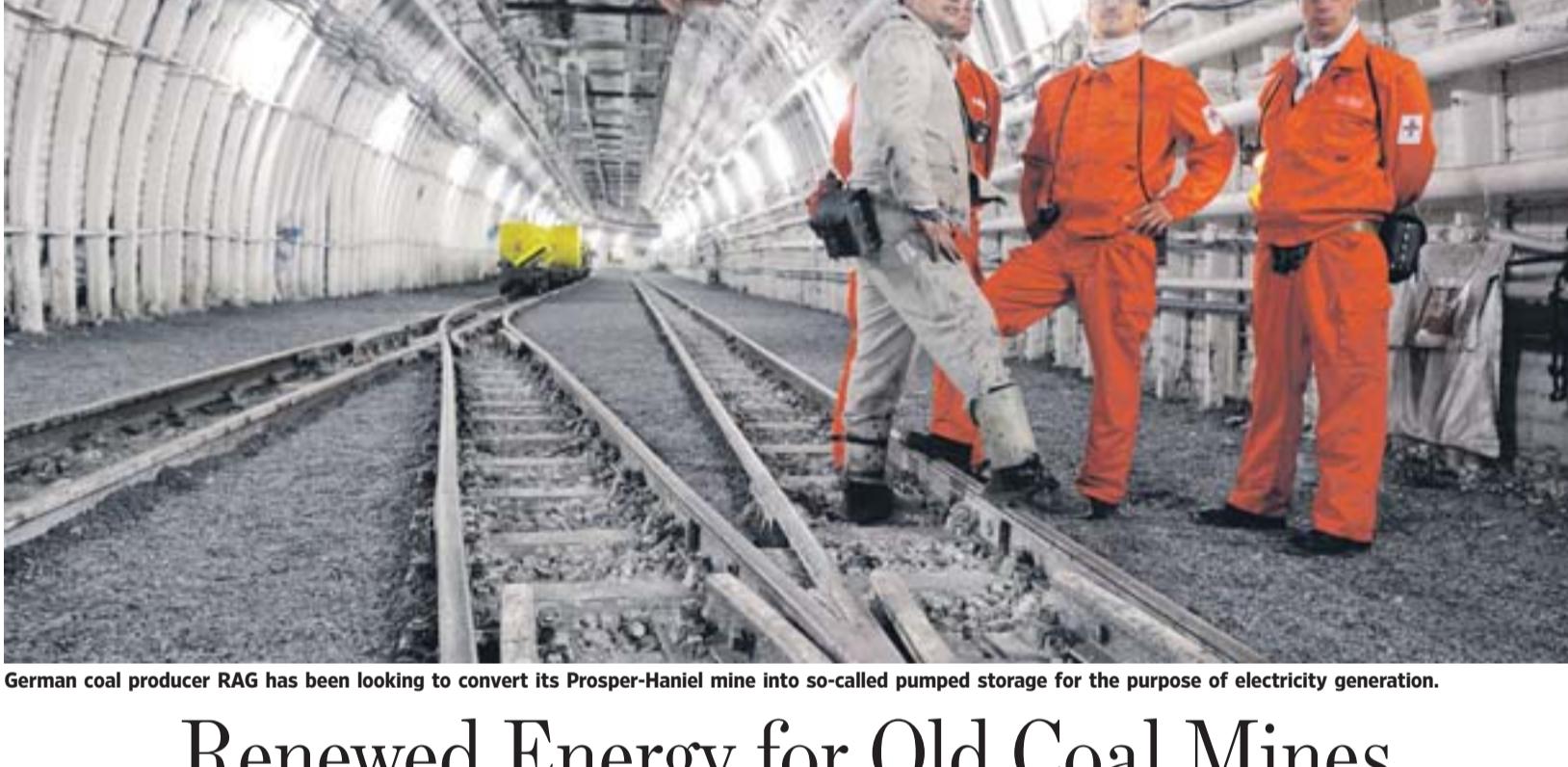
The Organization of the Petroleum Exporting Countries renewed a deal with 10 other major non-OPEC oil producers that will cap production through March 2018, deepening an alliance between the cartel—led by its top exporter, Saudi Arabia—and Russia, which produces more crude oil than any other country but isn't a cartel member.

By keeping production at about 1.8 million barrels a day lower than late 2016's levels, the group is suppressing about 2% of global supply and aiming to put a floor under the price of oil.

Prices had begun to climb last week after Russia and Saudi Arabia said they would support a nine-month extension, hitting a one-month high on Tuesday. But by signaling its willingness to commit to a longer cut, OPEC may have unintentionally raised expectations even higher, some investors said.

Some energy analysts over the past week suggested that OPEC could agree to reduce output further, bring in smaller producers such as Egypt that sat out the first round of cuts, or extend the

Please see OPEC page B2



German coal producer RAG has been looking to convert its Prosper-Haniel mine into so-called pumped storage for the purpose of electricity generation.

Renewed Energy for Old Coal Mines

Retrofitting caverns for electricity generation piques interest, but economics are big question mark

By ZEKE TURNER

BERLIN—Deserted coal mines, once left to gather dust, are glimpsing a new life in the age of solar panels and wind turbines.

The expanding fleet of renewable power sources world-wide means electricity is increasingly being produced when the weather allows rather than when it is needed most, creating the need to store power ahead of demand peaks.

Now, coal-mine companies in the U.S. and Germany are stepping in with a retrograde

solution: turn their old mines into enormous power-storage systems, using century-old technology to keep the lights on when the weather doesn't cooperate.

In Virginia, Dominion Energy Inc. and American Electric Power's Appalachian Power each are investigating adding a new power system in Virginia's southwestern coalfield region. And in Germany, when coal producer RAG AG next year closes its last mine in the rust-belt state of North Rhine-Westphalia near the Dutch border, the company

wants to see a power pack big enough for half a million homes fill the void stretching to 4,000 feet underground.

The retrofitting, the first of its kind according to its developers, would use a simple technology called pumped storage, which requires little more than two pools of water, one at the surface, another deep underground. The German project would cost €500 million, or about \$560 million.

So far investors are balked at the price: Germany's largest utilities, RWE AG, E.ON SE and Uniper SE, all

said they aren't interested. But the idea to resurrect coal mines as power systems is turning heads around the globe.

"The whole world, including China, is asking for regular progress reports," according to André Niemann, an engineering expert at the University of Duisburg-Essen who designed and tested the system with a team of 50 researchers.

The idea is gaining steam in countries such as South Africa, Australia, Belgium, France and Poland facing the same problems: What to do

with old mines and how to add storage capacity to their electricity grids. Now both questions could have the same answer.

In the Prosper-Haniel mine in Bottrop, North Rhine-Westphalia, the pump would use excess power on windy and sunny days to sputter water up from a reservoir nearly 2,000 feet below ground to a pool at the surface.

If there is a shortage of sun or wind, the water is released to allow gravity to bring it back toward the bot-

Please see COAL page B2

INSIDE



NEW ZEALAND STARTUP LIFTS OFF

AERONAUTICS, B5

S&P 500 TOPS NEW HIGHS SET IN 2016

STOCKS, B11

Funds Battle Silicon Valley for Talent

THE QUANTS

Machines and their masters are the undisputed new kings of Wall Street

By LAURENCE FLETCHER AND SARAH E. NEEDLEMAN

The battle for quantitative talent has turned some of the richest money managers into underdogs. Why? Because they are up against the likes of Alphabet Inc.'s Google and Facebook Inc. for hiring the world's top minds.

"Google is trying to Hoover up every data scientist in the world," said Luke Ellis, chief executive of Man Group PLC, the world's largest publicly traded hedge-fund manager.

"Google has got more money than I have. I can't compete with Google just on that."

London-based Man Group

attempts to get these data scientists at their source. The firm has donated millions to Oxford University to put its name on a quantitative research laboratory, hoping that prospective employees get acclimated with the firm and its culture early in their career.

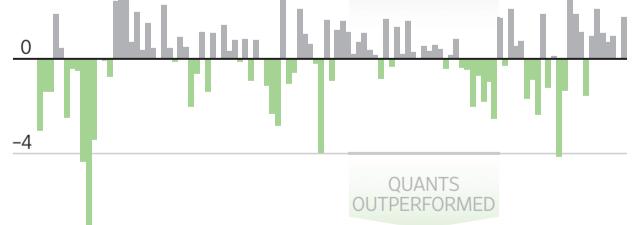
The trouble is that across the corporate world—be it hedge funds, tech giants or even the Fortune 500—companies are desperate to hire the same type of people. They seek top graduates or post-graduates who can build software that learns to spot patterns in anything from photos on social media to financial futures markets. To appeal to tech talent, some financial firms offer the kind of office perks common at tech companies.

At Kenneth Griffin's hedge fund Citadel, the firm pitches candidates on running their own projects hand in hand with the company's top stock

Man Has the Edge

Hedge funds run by humans have beaten computer-driven funds since the start of 2008.

Percentage-point spread between performance of HFRI Fundamental Index (nonquant) and HFRI Quant Index (quant)



But, crucially, quant hedge funds have been far less volatile for their investors.

Annualized volatility since start of 2008



Source: HFR

STREETWISE | By James Mackintosh

Return of History Could Be at Hand

Donald Trump's first venture abroad has been notable for its calm, after the tumult he left behind in Washington. For investors worried that the U.S. president could destabilize the global trade and security regime, his willingness so far to stick to the script might have come as a relief.

The long-term picture isn't so benign for those who have profited from globalization, as former HSBC chief economist Stephen King sets out in a new book, "Grave New World." Mr. King's thesis is that the increased globalization of the past four decades is an anomaly in historical terms, and—in a

nod to Francis Fukuyama—we're seeing "the return of history."

Unfortunately for investors it is tricky to play the great game of geopolitics. The return to harder national borders for both money and people that the Brexit vote and Mr. Trump's election seemed to presage has so far led to nothing but pain for those who bet on a breakdown of trade. Elections in France, Austria and the Netherlands all rejected similar moves, and Germany's populist party has imploded.

Longer-term worries about the future shouldn't be tied to any particular election. After all, if the U.S. had the French electoral system, Hillary Clinton would be in

Please see STREET page B2

BUSINESS NEWS

Ford Goes Back to the Future With Hire

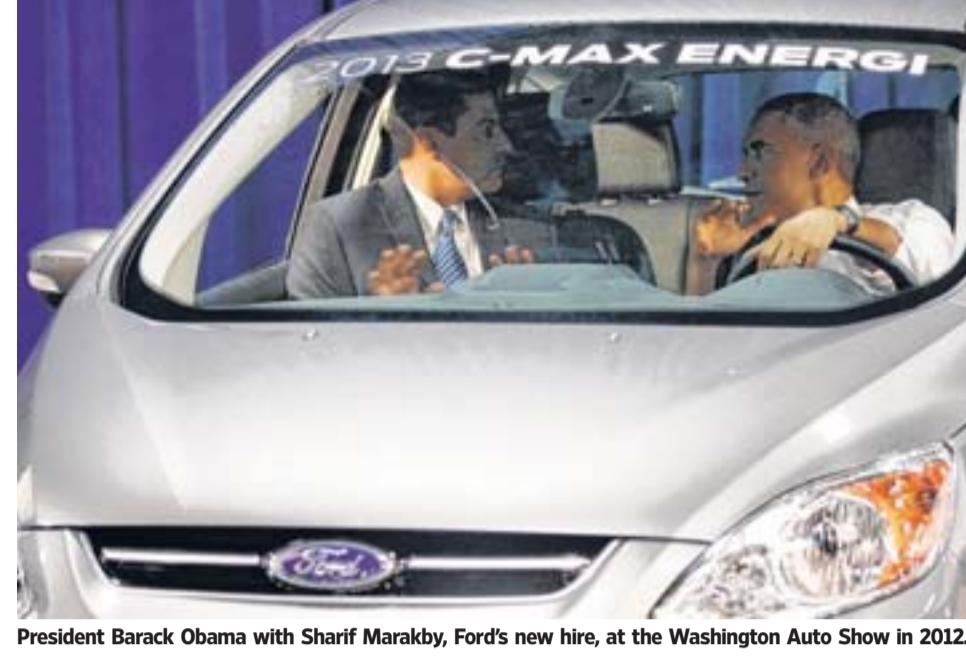
Engineer returns after stint at Uber as auto maker continues management overhaul

BY CHRISTINA ROGERS
AND TIM HIGGINS

Ford Motor Co. has wooed back a senior engineer who had left to develop autonomous vehicles at **Uber Technologies Inc.**, underscoring the auto maker's determination under new leadership to compete with Silicon Valley on new technologies.

Sherif Marakby returns to Ford as vice president responsible for self-driving and electric-car businesses, the auto maker said Thursday as it announced a raft of management changes under new CEO Jim Hackett. Mr. Marakby will oversee companywide profits and losses for those business lines, part of a broader effort by Ford to highlight for investors the earnings potential of the company's emerging technologies.

Mr. Marakby's departure from Ford in 2016 for Uber was seen as a stark example of traditional auto makers losing top talent to Silicon Valley in the race to develop robot cars. The promise of autonomous vehicles, though still un-



President Barack Obama with Sharif Marakby, Ford's new hire, at the Washington Auto Show in 2012.

can translate into revenue in the future."

Mr. Marakby wasn't available for comment.

Mr. Marakby's tenure at Uber likely educated him on how some of the leading developers of self-driving cars work, and could help him smooth differences between the corporate suite in Dearborn, Mich., and the upstart tech culture at Argo AI.

Peter Rander, Argo's co-founder and chief operating officer, worked at Uber on its self-driving test vehicles. And as Argo has pushed hiring, it has drawn from the ranks of the ride-hailing company, especially its Pittsburgh operations, according to LinkedIn bios.

Mr. Marakby left Uber in April as the company's autonomous-vehicle program was beset by trade-secret allegations from Google parent Alphabet Inc. Uber is contesting the lawsuit, which alleges the company conspired with a former Google engineer, Anthony Levandowski, to steal self-driving-car secrets to jump-start its own efforts.

"The problem was that there was no one to communicate how Argo could evolve into a revenue stream for Ford," said Dave Sullivan, an analyst for consultancy AutoPacific. "Marakby will have to work on communicating on all of the items Ford has invested in since he was last there in regards to how they

ley race to develop self-driving technology, they are competing fiercely for talent—especially among the small pool of engineers and programmers with expertise in areas of computer vision and machine learning. "There are more jobs for those people than there are people who can do them," said Max Brown, co-founder of Silicon Beach Talent, a recruiting firm that specializes in automotive-tech hiring.

Sebastian Thrun, the so-called Godfather of Google's self-driving car project, created a stir when last fall he told Recode that the going rate for self-driving talent is \$10 million per person.

Among other Ford moves Thursday, longtime marketing executive Peter Fleet will take over Asia-Pacific operations, a vital region including China, from Dave Schoch, who is retiring after 40 years. Purchasing chief Hau Thai-Tang will add global product development to his role, the company said.

The changes highlight how Mr. Hackett, less than a week in the new job, is restructuring the management team to be more agile with him having fewer direct reports than his predecessor. Many of these executives will now report to either Mr. Farley or Mr. Hinrichs.

proven, threatens to upend the estimated \$2 trillion of annual revenue tied to the automotive industry in the U.S.

With Mr. Marakby's return, Mr. Hackett has succeeded at installing a prominent engineer in a key role designed to bridge various departments and execute Ford's vision for self-driving cars.

The 114-year-old auto maker also announced that product and technical chief Raj Nair will take over North American

operations, a region responsible for nearly 90% of the company's profits. He succeeds Joe Hinrichs, Ford's new global operations chief. Also, Steven Armstrong, Europe's operating chief, will be elevated to run the region, replacing Jim Farley, who was named global markets president on Monday.

Ford announced earlier this year plans to invest \$1 billion in startup **Argo AI** that was co-founded by Bryan Salesky, a leader in autonomous develop-

ment from Alphabet Inc. Ford is aiming to put an autonomous vehicle for commercial use on the road in 2021.

"The problem was that there was no one to communicate how Argo could evolve into a revenue stream for Ford," said Dave Sullivan, an analyst for consultancy AutoPacific. "Marakby will have to work on communicating on all of the items Ford has invested in since he was last there in regards to how they

As Detroit and Silicon Val-

In Slow Times, Ad Agencies Cut Back on Cannes Gathering

BY ALEXANDRA BRUELL

smaller number of people physically in attendance," according to a copy of the memos reviewed by The Wall Street Journal.

Madison Avenue has historically been known for its lavish ways, but agencies are looking to trim costs, from hiring to spending on Cannes, as the ad business runs into headwinds. The belt-tightening comes as most ad holding companies face political and economic uncertainties, soft first-quarter earnings results and spending cuts by their clients.

Dentsu Aegis Network is the latest agency group to issue new cost-cutting mandates to "mitigate against market weakness," according to a memo reviewed by the Journal. The holding company is delaying pay reviews in most markets, implementing hiring controls—there will be no net new hires "unless directly linked to revenue"—and banning business travel, with some exceptions. The company also expects that its Cannes delegation will be "signifi-

cantly reduced" from the 350 people it sent last year.

In an email to employees, Dentsu Aegis Americas Chief Executive Nigel Morris noted that the company had hit a rough stretch, with a decline in organic revenue of 3.4% in April.

Global ad spending is expected to grow by 3.6% in 2017, compared with 5.7% in 2016, according to a December forecast from Magna Global, the ad-buying agency owned by **Interpublic Group of Cos.**

WPP, the largest global ad

holding company, in March reported its slowest quarter of revenue growth since 2012, forecasting only 2% growth this year. WPP CEO Martin Sorrell said advertisers are struggling with a low-growth, low-inflation environment, including challenges such as activist investors and industry-changing technological disruptions.

"Obviously there's pressure on fees and it's important for us to watch our cost profile," said Interpublic CEO Michael Roth, during the company's

earnings call in April.

Interpublic is targeting a 10% reduction in what it originally intended to spend on Cannes this year, according to a person familiar with the matter.

Cannes is a logical cost-cutting target. The festival can cost large agencies \$8,000 to \$20,000 a person, including festival passes, housing and expenses, as well as up to \$3 million to submit campaigns to be considered for awards, according to an agency staffer from a large creative agency network.

Ex-VW Official to Stay in Jail

BY MIKE SPECTOR

freed on bond during a hearing in March.

Mr. Schmidt was arrested in January at Miami International Airport before boarding a flight to Germany. He has pleaded not guilty to the charges.

Oliver Schmidt is one of seven Volkswagen executives or staffers charged in the U.S.

A lawyer for Mr. Schmidt didn't immediately respond to a request for comment. A Volkswagen spokeswoman declined to comment.

Judge Cox in March said the case was a "very, very serious" one that involved defrauding U.S. officials as part of a conspiracy to rig nearly 600,000 diesel-powered Volkswagen ve-

hicles with software that allowed them to dupe government emissions tests and pollute beyond legal limits on the road.

Volkswagen as a corporation pleaded guilty to criminal charges in the scandal earlier this year. In the U.S., the German auto maker has agreed to fines and settlements collectively totaling billions of dollars with the Justice Department, regulators, state attorneys general, consumers and dealers.

Mr. Schmidt is one of seven Volkswagen executives or employees criminally charged in the U.S. for alleged roles in the company's emissions deception. Five others reside in Germany and aren't expected to be extradited to the U.S.

Another engineer pleaded guilty in September to criminal conduct for helping Volkswagen cheat on emissions tests and is scheduled to be sentenced in July.

Amazon Goes to New York



AN OPEN BOOK: Amazon.com Inc.'s first New York City bookstore officially opened for business on Thursday, bringing the retailer's number of bricks-and-mortar bookstore locations to seven.

This announcement is neither an offer to purchase nor a solicitation of an offer to sell Shares (as defined below). The Offer (as defined below) is made solely by the Offer to Purchase, dated May 26, 2017 and the related Letter of Transmittal, and any amendments or supplements thereto. The Offer is not being made to, nor will tenders be accepted from or on behalf of holders of Shares in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the securities, "blue sky" or other laws of such jurisdiction. Offeror (as defined below) may, in its discretion, take such action as it deems necessary to make the Offer to holders of Shares in such jurisdiction. In those jurisdictions where applicable law requires that the Offer be made by a licensed broker or dealer, the Offer will be deemed to be made on behalf of Offeror by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Offeror.

NOTICE OF OFFER TO PURCHASE FOR CASH All Outstanding Shares of Common Stock

of
KATE SPADE & COMPANY
at
\$18.50 Net Per Share

Pursuant to the Offer Purchase dated May 26, 2017

by
CHELSEA MERGER SUB INC.
a wholly-owned subsidiary

of
COACH, INC.

Chelsea Merger Sub Inc., a Delaware corporation ("Offeror") and direct, wholly-owned subsidiary of Coach, Inc., a Maryland corporation ("Coach") is offering to purchase all outstanding shares of common stock, par value \$1.00 per share (the "Shares") of Kate Spade & Company, a Delaware corporation ("Kate Spade"), at a purchase price of \$18.50 per Share, net of the seller in cash, without interest thereon (the "Offer Price") and less any applicable withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated May 26, 2017 (the "Offer to Purchase"), and in the related Letter of Transmittal (which, together with any amendments or supplements thereto, collectively constitute the "Offer"). Tendering stockholders whose Shares are registered in their names and who tender directly to Broadridge Corporate Issuer Solutions, Inc. (the "Depository") will not be charged brokerage fees or commissions or, except as set forth in Instruction 6 of the Letter of Transmittal, stock transfer taxes on the purchase of Shares pursuant to the Offer. Tendering stockholders whose Shares are registered in the name of their broker, bank or other nominee should consult such broker, bank or other nominee to determine if any fees may apply. Following the consummation of the Offer, and subject to the conditions described in the Offer to Purchase, Offeror intends to effect the Merger described below.

THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 11:59 P.M., NEW YORK CITY TIME, ON JUNE 23, 2017, UNLESS THE OFFER IS EXTENDED OR TERMINATED.

The Offer is conditioned upon, among other things, (1) there being a number of Shares validly tendered (and not properly withdrawn) prior to the expiration of the Offer (but excluding shares tendered pursuant to guaranteed delivery procedures that have not yet been "received" as defined by Section 251(h)(6) of the Delaware General Corporation Law ("DGCL")), together with the Shares then owned by Coach and its wholly-owned subsidiaries, represents at least one Share more than 50% of all Shares then outstanding (the "Minimum Condition") and (2) expiration or termination of any applicable waiting period (any extensions thereof) and any approvals, clearances or other governmental authorizations applicable to the Offer or the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder and the Japanese Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Act No. 54 of April 14, 1947, as amended) (the "Japanese Anti-Monopoly Act"), shall have expired or otherwise terminated or obtained, as applicable. The Offer is also subject to the other conditions described in the Offer to Purchase. Offeror intends to effect the Merger described below.

Offeror is making the offer pursuant to the Agreement and Plan of Merger, dated as of May 7, 2017 (as it may be amended from time to time, the "Merger Agreement"), by and among Coach, Offeror and Kate Spade. The Merger Agreement provides, among other things, that following the consummation of the Offer, Offeror will merge with and into Kate Spade (the "Merger"), and the surviving corporate existence of Offeror ceasing and Kate Spade continuing as the surviving corporation and becoming a direct, wholly-owned subsidiary of Coach (the "Surviving Corporation"). Each Share issued and outstanding immediately prior to the effective time of the Merger (the "Merger Effective Time") (excluding Shares owned by (i) Coach Spade (including treasury shares), Coach or any of their respective wholly-owned subsidiaries, which will be canceled automatically and will cease to exist, and no cash or other consideration will be delivered with respect thereto or (ii) stockholders of Kate Spade who properly demanded the appraisal of their respective Shares and exercised their appraisal rights in compliance with Section 262 of the DGCL) will be converted into a right to receive an amount in cash equal to the Offer Price (the "Merger Consideration"), payable without interest and less any applicable withholding taxes.

The board of directors of Coach Spade, among other things, has unanimously (i) declared that the Merger Agreement, the Merger and the other Transactions are fair to and in the best interests of Kate Spade and its stockholders, (ii) in accordance with the DGCL, approved the terms and conditions of the Merger Agreement and the Transactions, declared it advisable that the Merger Agreement enter into the Merger Agreement and consummate the Transactions, and authorized the execution, delivery and performance of the Merger Agreement, (iii) resolved that the Merger Agreement and the Merger shall be governed by and effected under Section 251(h) of the DGCL and (iv) resolved to recommend that Kate Spade's stockholders accept the Offer and tender their Shares in the Offer. As further described in its Solicitation/Recommendation Statement on Schedule 14D-9, Kate Spade has informed us that, to its knowledge after making reasonable inquiry, all of Kate Spade's executive officers and directors intend to tender all of their Shares that they hold of record or beneficially own on the date of the Offer. The Offer will expire at 11:59 p.m., New York City time, on June 23, 2017, unless the Offer is extended or terminated (such date and date, as it may be extended, the "Expiration Date").

Offeror reserves the right to waive (to the extent permitted by applicable law) any condition to the Offer or to modify the terms of the Offer, except that, without the prior written consent of Kate Spade, Offeror cannot: (1) reduce the number of Shares subject to the Offer, (2) reduce the amount of the Offer Price, (3) amend or waive the Minimum Condition, (4) impose additional conditions to the Offer in addition to the Offer Conditions, or amend or modify any Offer Condition in any manner adverse to the holders of Shares or that would, individually or in the aggregate, reasonably be expected to prevent or materially delay the consummation of the Offer or the Merger or materially impair the ability of Coach or the Offeror to consummate the Offer, (5) except as otherwise required or expressly permitted by the Merger Agreement, extend or otherwise modify the Expiration Time, (6) change the form of consideration payable in the Offer, (7) provide any "subsequent offering period" in accordance with Rule 14d-11 of the Exchange Act or (8) otherwise amend or modify any of the other terms of the Offer in a manner that adversely affects the holders of Shares.

In order to take advantage of the Offer, you should either (1) complete and sign the Letter of Transmittal in accordance with the instructions in the Letter of Transmittal, have your signature guaranteed (if required by Instruction 1 to the Letter of Transmittal), mail or deliver the Letter of Transmittal and any other required documents to the Depository, and either deliver the certificates for your Shares along with the Letter of Transmittal to the Depository or tender your Shares pursuant to the procedures for book-entry transfer set forth in Section 3 of the Offer to Purchase or (2) request your broker, dealer, commercial bank, trust company or other nominee to effect the transmittal for you. If your Shares are registered in the name of a broker, dealer, bank, trust company or other nominee, you must contact such broker, dealer, bank, trust company or other nominee to tender your Shares. If you desire to tender Shares, and certificates evidencing your Shares are not immediately available, or if you cannot comply with the procedures for book-entry transfer described in the Offer to Purchase on a timely basis, or if you cannot deliver all required documents to the Depository prior to the expiration of the Offer, you may tender your Shares by following the procedures for guaranteed delivery set forth in Section 3 of the Offer to Purchase.

For purposes of the Offer, Offeror will be deemed to have accepted for payment Shares tendered when and if Offeror gives oral or written notice of Offeror's acceptance to the Depository. Offeror will pay for Shares accepted for payment pursuant to the Offer by deposit of the purchase price therefor with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments and transmitting such payments to tendering stockholders. Under no circumstances will Offeror pay interest on the consideration paid for Shares pursuant to the Offer, except that, to the extent permitted by applicable law.

Except as otherwise provided in the Offer to Purchase, tenders of Shares made in the Offer are irrevocable. Shares tendered pursuant to the Offer may be withdrawn at any time before the Expiration Time and, unless previously accepted for payment as provided herein, may also be withdrawn at any time after July 25, 2017, which is the 60th day after the commencement of the Offer. For your withdrawal to be effective, a written notice of withdrawal with respect to the Shares must be timely received by the Depository at one of its addresses set forth on the back cover of the Offer to Purchase, and the notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of Shares, if different from that of the person who tendered such Shares. If the certificates of Shares to be withdrawn have been delivered to the Depository, a signed notice of withdrawal with respect to such Shares. In addition, such notice must specify, in the case of Shares tendered by delivery of certificates, the serial numbers shown on the specific certificates evidencing the Shares to be withdrawn or, in the case of Shares tendered by book-entry transfer, the name and number of the account at the DTC (as defined in the Offer to Purchase) to be credited with the withdrawn Shares. Withdrawals may not be rescinded, and Shares properly withdrawn will remain subject to the Offer to Purchase.

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local and other tax laws. All stockholders should consult with their own tax advisors as to the particular tax consequences of exchanging their Shares pursuant to the Offer, during a subsequent offering period or pursuant to the Merger.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-1 of the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference. Kate Spade has provided to Offeror its list of stockholders and security position listings for the purpose of disseminating the Offer to holders of Shares. The Offer to Purchase, the related Letter of Transmittal and other related materials will be mailed to record holders of Shares and will be furnished to brokers, dealers, banks, trust companies and similar persons whose names, or the names of their nominees, appear on the stockholder list, or, if applicable, who are listed as participants in a clearing agency's security position listing, for subsequent transmission to beneficial owners of Shares.

The Offer to Purchase and the related Letter of Transmittal contain important information that should be read carefully before any decision is made with respect to the Offer.

Issues and requests for assistance and copies of the Offer to Purchase, the Letter of Transmittal and all other offer materials set forth below will be furnished promptly at Offeror's expense. Neither Coach nor Offeror will pay any fees or commissions to any broker or dealer or any other person (other than to the Information Agent and the Depository) in connection with the solicitation of tenders of Shares pursuant to the Offer.

The Information Agent for the Offer is:

Broadridge

51 Mercedes Way

Edgewood, NY 11717

Please Call: 888-808-3038

TECHNOLOGY

WSJ.com/Tech

Microsoft Joins Videogame Stream

By SARAH E. NEEDLEMAN

Microsoft Corp. launched its own videogame live-streaming service called Mixer, setting up another battle among some of the biggest names in the technology industry.

Despite its long history in videogames, Microsoft is late to live streaming, in which people watch real-time videos of other people playing games and esports contests. It faces competition from the leaders, **Amazon.com** Inc.'s Twitch and **Alphabet** Inc.'s YouTube. **Facebook** Inc., which has two billion monthly users, this year signed esports streaming deals.

A live-streaming service is a logical move for Microsoft, one

of the few tech titans that owns a popular piece of dedicated gaming hardware. The company stopped reporting sales of its Xbox consoles in 2014.

Microsoft said it would prominently feature Mixer on its Windows 10 and Xbox consoles, though it will continue to make the YouTube and Twitch apps available for download.

Mixer will be free for Windows 10 computers, Xbox consoles and mobile devices running iOS, Android or Windows. Microsoft plans to sell \$5.99 monthly subscriptions to its streamers' channels as a way for viewers to support their favorites.

—Jay Greene
contributed to this article.

New Windows Unveiled for China

Microsoft Corp. unveiled a new Windows 10 software customized for the Chinese government to improve security, including modifying the program to prevent data that is typically collected from being transmitted to other devices.

The product addresses concerns by the Chinese government over network security, including the desire to locally store data—such as details on

the hardware or applications being run—and to prevent overseas parties from accessing sensitive information.

The Chinese government version also will have a customized Help function, said a representative for Microsoft, which formed a joint venture with state-owned China Electronics Technology Group to develop the program.

CETC owns 51% of the joint venture and has traditionally developed technology for the Chinese military and civilian use.

—Jay Greene and Yang Jie

China Develops Big Data in a Big Way



IN SUM: A demonstration center at a big-data pilot zone in Guiyang in China's Guizhou Province on Thursday. The province is a pioneer in China's big-data development due to its moderate climate, sufficient power supply and network infrastructure.

Lenovo Resets to Regain Its PC Crown

By KATHY CHU

HONG KONG—China's **Lenovo Group** is shaking up its operations as it seeks to reclaim the title of global leader in personal computers and shore up its smartphone business.

For the first time in four years, Lenovo—a company that gained acclaim a decade

ago for turning around storied U.S. personal-computer maker International Business Machines Corp.—slipped from the top spot this year to No. 2 in the personal-computer market, behind rival **HP** Inc. Lenovo has also fallen to No. 8 in the number of smartphones shipped globally, from No. 3 when it acquired another U.S.

brand, Motorola, in late 2014.

Lenovo's Hong Kong-listed stock has fallen nearly 60% since the Motorola acquisition.

Behind Lenovo's woes is a maturing personal-computer market where demand is slowing as consumers use smartphones and other devices for daily activities including checking the internet. Lenovo also

faces fresh challenges from rivals such as **Huawei Technologies** Co., which has rolled out its own hybrid laptop tablets.

In response, the company is restructuring and installing new management in China to better compete against rivals in a market known for fierce cost-cutting in both personal computers and mobile phones.

CHINA CIRCUIT | By Li Yuan

Baidu Whiz Must Outsmart Google at Artificial Intelligence



For much of the past two decades, Qi Lu, a search-technology whiz, waged losing battles against **Google**, first at **Yahoo** Inc., and then at **Microsoft** Corp.'s Bing.

Four months ago, he relocated to his native China to take on a challenge that some in the tech world think is just as quixotic: reviving **Baidu** Inc. The company's core search engine business once made it the Google of China, but it has been beset by bad decisions, scandals and falling profits, leaving its future uncertain.

Mr. Lu says he's confident he can turn Baidu around—and take on Google again, this time on the battlefield of artificial intelligence.

Mr. Lu has been prone to hubris before. When he joined Microsoft in 2009, he threw down the gauntlet at Google, saying Bing would be an effective competitor.

Now, with Baidu, "it's the right time, the right place and the right people," Mr. Lu told me in an interview last week. Innovation is happening at a faster pace in China than in the U.S., he says.

The mobile internet, for example, took off among Chinese users because traditional industries like banking and retail are weaker and easier to disrupt, and, he says, Baidu's large reserve of programmers position the company to be a world leader in artificial intelligence.

Mr. Lu is the No. 2 at Baidu, behind co-founder and chief executive Robin Li. As vice chairman, group president and chief operating officer, the 55-year-old Mr. Lu has been shaking things up. He's canceled unpromising products, merged three driverless car units into one and ushered some senior executives aside.

Dressed in a dark blue polo shirt, light brown sandals and black socks on a recent day, he looks like one of the thousands of programmers at

Baidu's Beijing headquarters. Still, he's known for a manic work ethic, in the office by 7 a.m. and staying late. He told me that he used to question why humans need to sleep.

After running Microsoft's Office and search groups, Mr. Lu was a candidate for the CEO job, which went to his onetime subordinate, Satya Nadella, people familiar with the matter say. Mr. Lu and Microsoft say they parted last September due to his health.

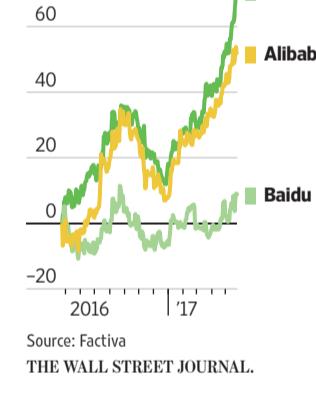
Mr. Lu says he turned down offers at bigger and stronger companies because those would require only 70% of his capabilities while Baidu will demand 100%.

He will need to give his all. After Google withdrew from China over censorship and hacking in 2010, Baidu became a dominant force in Chinese tech, along with e-commerce titan Alibaba Group Holding Ltd. and game and messaging kingpin Tencent Holdings Ltd.

Then, Baidu stumbled. It missed the mobile internet wave, belatedly pouring bil-

Tech Race

Share-price performance



Source: Factiva

THE WALL STREET JOURNAL.

the first quarter of 2017 from a year earlier.

The company needs to revamp its business, resurrect its reputation and reboot its share prices and morale.

To do that, Mr. Lu will first have to defend Baidu's core search business. Its edge is eroding as online users turn to e-commerce and social media sites. E-commerce ad revenue surpassed search-engine ads in China in 2016, according to research firm iResearch.

Mr. Lu's solution: make voice, photo and video searchable and widen search availability to cars, personal digital assistants like Amazon's Echo and other physical devices.

Then he will have to ensure Baidu's bets on the future are viable.

He's spending heavily to recruit top talent in artificial intelligence, driving up research and development expenses to 2.8 billion yuan (\$412 million) in the first quarter of 2017, a 35% increase from a year earlier. That talent is being

aimed at search, speech recognition and driverless car technologies.

It is in driverless cars where Mr. Lu thinks Baidu can displace Google parent **Alphabet** Inc. to become a world leader.

Just as Google did to popularize its Android mobile operating system, Mr. Lu announced last month that Baidu will open its self-driving car technologies to others to help develop autonomous vehicles. The company is on track, he says, to mass-produce fully autonomous vehicles by early 2021.

Reaction from the government and auto makers to the initiative, called "Project Apollo," has been positive, he says.

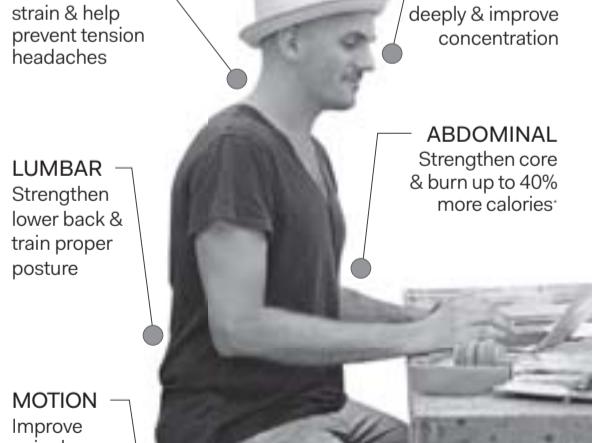
Mr. Lu says: "If Apollo performs well, we will catch up with and even surpass Google."

Google declined to comment.

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

THE CHAIR THAT DOES MORE FOR YOU

VARIABLE™ BALANS® | THE ORIGINAL KNEELING CHAIR



\$399
FREE Shipping*

varierofnorway.com/kneel
888-6822-3175

varier®

*As compared to sitting in a standard chair.

**Free shipping to any USA address. Limited time offer.

GO TO WORK IN BLISSFUL COMFORT



The Un-Sneaker™ goes to work.

To your colleagues, it's a fashion statement.

To your feet, it's an all-day festival of lush, leather-lined comfort. But let's keep that confidential.

SAMUEL HUBBARD.COM

SHOEMAKERS SINCE 1930

Free shipping and returns. Order online or call 844.482.4800.

FEEL SLEEP WORK LIVE BETTER



Made in Japan

Unparalleled Japanese craftsmanship, superior choreography, unmatched commitment to quality.

DreamWave, The World's Best Massage Chair®

X DREAMWAVE
INADA

888-727-2150
inadausa.com/better

BUSINESS NEWS

Big Investors Weigh Rebuking Exxon on Climate

Two of the world's largest asset managers are considering a public rebuke to Exxon Mobil Corp. over climate

By Bradley Olson,
Sarah Krouse
and Sarah Kent

change at the company's annual meeting next week, according to people familiar with the matter.

BlackRock Inc. and Vanguard Group are weighing a vote in favor of an investor proposal that would seek to pressure the oil giant to conduct a climate "stress test" to measure how regulations to reduce greenhouse gases and new energy technologies could affect the value of its oil assets, the people said.

Exxon has urged investors to vote against the resolution.

If the proposal passes at Exxon's annual meeting Wednesday, experts say it would be the strongest signal to date that investors are seeking greater disclosure of the threats that climate change could pose to businesses.

Passage also would highlight the emerging power of money managers with large passive investing businesses—and their willingness to wield

it.

Five years ago, many investors weren't as attuned to how climate change could affect the value of assets, but "now the evidence just slaps you in the face," said Timothy Smith, a director at Walden Asset Management, which has pressured money managers on climate issues and is backing the Exxon measure.

BlackRock is still considering whether to support the proposal.

"No decision has been made regarding our vote at Exxon's Annual Shareholder Meeting. Our deliberations continue and we look forward to continued engagement with the company," Zach Oleksiuk, head of Americas for BlackRock's investment stewardship group, said in a statement.

Vanguard also is strongly considering a vote for the proposal, the people said.

The asset managers could side with the company if Exxon offers certain concessions, including making further disclosures or agreeing to allow its nonemployee directors to meet with investors, the people said.

Such concessions in the past have led BlackRock to side with companies and vote against proposals related to climate-change disclosure.

Rise of 'Sustainable' Investing

Rising demand for investments that incorporate environmental, social and governance ('ESG') issues has pressured big asset managers to take a more active stance with companies such as Exxon.

Investment funds and assets that weigh 'ESG' factors



THE WALL STREET JOURNAL.



A BHP Billiton rig in Fayetteville, Ark. The mining company contends its oil-and-gas operations are a good fit with its strategy.

BHP-Elliott Feud Sharpens

Mining company's oil-and-gas holdings are at center of quarrel with activist

By SCOTT PATTERSON
AND ROBB M. STEWART

LONDON—The clash between BHP Billiton Ltd. and activist hedge fund Elliott Management Corp. is narrowing to one issue that could determine the future of the Anglo-Australian mining giant: Should BHP remain in the oil-and-gas business?

Elliott urged BHP to launch an independent review of its entire petroleum division last week, after calling for a broad restructuring of BHP last month that would include a spinoff of its U.S. petroleum business. It argues that BHP's cash would be better spent on its "world-beating" mining assets than its struggling American shale holdings and oil rigs in the Gulf of Mexico.

BHP has countered to Elliott and others that its knowledge of geology makes it better positioned to explore shale drilling than big oil companies, according to people familiar with

the matter. Its executives have said it spends more time studying the rock formations and has been more productive than wildcatters at striking wells, which will pay off in coming years, the people said.

Neither side appears prepared to back down in a clash that will likely play out for months.

While BHP, the world's largest mining company by value, has conceded it made mistakes investing billions in U.S. shale assets at the height of the natural-gas boom—moves that have led to billions in write-downs—it shows little sign of giving in to Elliott's demands. BHP Chief Executive Andrew Mackenzie has brushed off Elliott's proposals as little more than "financial engineering."

Elliott, which said it holds a 4.1% stake in BHP's London shares and is fresh off a high-profile win after helping to unseat Arconic Chief Executive Klaus Kleinfeld, is also sticking to its guns. The hedge fund, which manages nearly \$33 billion, has valued a spinoff of BHP's U.S. oil business at \$22 billion. It says BHP's management has adopted a "do-nothing approach" to its problems and called its responses to the

hedge fund's proposals "dismisive" and "misleading."

Some investors say they are pleased BHP is being pressed to review its petroleum stake. Brenton Saunders, a portfolio manager at BHP investor BT Investment Management in Sydney, said shareholders have long held concerns about BHP's oil-and-gas assets. The emergence of activist investors calling for changes has encouraged healthy debate.

Other investors say BHP has been responsive to questions about the oil-and-gas business and are awaiting details.

"We're engaged with BHP, and we're sure they are reviewing the situation," said Fidelis Madavo, an executive at Public Investment Corp., South Africa's state-run pension fund and one of BHP's largest investors, with more than \$1 billion in shares, according to FactSet. "We know the U.S. shale assets have been a problem," he said.

Though the company and the hedge fund have now been squabbling for nine months, "everything triangulates back to oil and gas," said Paul Gait, a Sanford C. Bernstein analyst who has argued that BHP should rid itself of its entire

petroleum business, including its Australian operations.

One path Elliott could choose would be to try to take its plans directly to a future shareholder meeting if BHP isn't responsive, a person familiar with the fund's plans said. BHP's annual meeting in London is in October.

It is rare for mining companies to own substantial oil-and-gas operations. Glencore PLC owns oil assets in Equatorial Guinea and Chad, but they are small relative to the miner's other businesses.

BHP said its oil-and-gas business provides for a more diversified portfolio. Moody's Investors Service, which in May boosted BHP's ratings outlook to positive from stable, said it views the oil-and-gas business as "strengthening its diversification relative to other global miners."

Mr. Mackenzie has said the oil-and-gas operations are a good fit with the company's strategy, noting that in the last five years they were its highest-margin operation, with average underlying earnings before interest, taxes and depreciation of 66%.

—David Benoit contributed to this article.

Startup's Rocket Reaches Space but Misses Orbit

By ANDY PASZTOR

Rocket Lab, a startup widely seen as a trailblazer for frequent, ultralow-cost access to space, failed to reach orbit on its first flight.

But Thursday's mission, which blasted off from New Zealand after days of weather-related delays, still was a partial success because the Electron rocket's nine main engines and the single engine powering the upper stage lifted a test payload high enough to reach space.

Peter Beck, founder and chief executive of the closely held U.S.-New Zealand company, said in an interview that the rocket performed extremely well until the upper-stage engine shut off prematurely after attaining an altitude of at least 120 miles. Anything above 62 miles is generally considered outside the atmosphere.

The company aims to carry what are anticipated to be swarms of small commercial



Technologies Corp., known as SpaceX, suffered three consecutive launch failures nearly a decade ago that almost sank the company shortly after its inception.

With many space entrepreneurs and investors closely watching Rocket Lab's initial performance, Mr. Beck said he was pleased with the result and added that it left the company "in an extremely strong position to pursue" commercial operations after a pair of additional test flights.

Rocket Lab, based in Huntington Beach, Calif., exemplifies the fledgling industry known as "New Space": a more nimble, Silicon Valley-like approach to designing, producing and testing rockets and small satellites that relies heavily on automated manufacturing and frequent modifications to hardware.

The company has built a rocket largely from carbon-composite materials and featuring engine parts produced by 3-D printing in the U.S. Fuel

tanks and other structures are manufactured in New Zealand. With this novel approach, the company pulled off the first flight of an orbital-class rocket from a privately run launch complex.

Blue Origin LLC, the space startup run by Amazon.com Inc. chief Jeff Bezos, and Virgin Galactic LLC, run by Richard Branson, also have conducted test flights from private ranges, but those vehicles are designed for suborbital missions. Virgin Galactic, however, is a rival for launching small satellites.

Mr. Beck's company was able to design, build and launch its rocket in roughly four years and with a relatively small staff that now numbers about 160 employees. It aims to launch satellites weighing hundreds of pounds for several million dollars, versus existing larger rockets that charge 10 or 20 times more and are designed to carry satellites weighing thousands of pounds apiece.

Mutual Funds | WSJ.com/fundresearch

Explanatory Notes

Data provided by LIPPER

Top 250 mutual-funds listings for Nasdaq-published share classes with net assets of at least \$500 million each. NAV is net asset value. Percentage performance figures are total returns, figures don't reflect sales charges ("loads") or redemption fees.

NET CHG is change in NAV from previous trading day. YTD%RET is year-to-date return. 3-YR%RET is trailing three-year return annualized.

e-Ex-distribution. f-Previous day's quotation. g-Footnotes x and s apply. j-Footnotes and s apply. k-Recalculated by Lipper. m-Using updated data. p-Distribution costs apply. 12b-1: r-Redemption charge may apply. s-Stock split or dividend. t-Footnotes p and r apply. v-Footnotes x and e apply. x-Ex-dividend. z-Footnote x, e and s apply. NA-Not available due to incomplete price, performance or data. NE-Not released by Lipper. data under review. NN-Fund not tracked. NS-Fund didn't exist at start of period.

Thursday, May 25, 2017

Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret	Fund	NAV	Net YTD Chg % Ret		
American Century Inv	59.97 +0.30 16.6		StratCOpplns	9.91 ... 2.1		GroCo	161.45 +0.94 18.0		John Hancock Class I	161.34 +0.94 18.1		ParmEqFd	41.54 +0.16 6.0		Prudential Cl Z & I	12.66 +0.02 15.1		STGAdm	10.69 ... 1.4		TgtRetn	13.29 +0.01 4.1
Ultra	10.49 +0.31 16.1		SmCpA p	52.17 +0.12 13.5		GroWtch	7.90 ... 2.2		LSBalncd	15.27 +0.04 7.5		AllAsset	NA ... NA		TRBdZ	NA ... NA		TotBdAdm	10.77 ... 2.1		TotBdIdxn	10.89 +0.01 0.8
American Funds Cl A	12.95 +0.01 1.9		TxExA p	19.96 -0.01 1.9		InvGrBd	14.11 -0.04 15.8		John Hancock Instl	9.02 +0.01 4.5		DispValIMCI	22.57 +0.10 5.1		TotRtr	NA ... NA		TotBdIdxn	21.78 +0.02 0.8		Wells	26.29 +0.04 3.9
AmcPfA p	29.64 +0.12 8.9		Wsha p	43.50 +0.12 6.7		LowPw r	19.13 +0.17 5.8		LowPrStk r	53.12 +0.49 7.4		Magin	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	40.98 +0.09 5.5		Welltn	40.98 +0.09 5.5
AMutIA p	38.81 +0.14 5.9		AMG Managers Funds	12.92 +0.06 6.7		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6		Magin	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	37.26 +0.06 6.0		Wndssl	37.26 +0.06 6.0
BAlA p	26.37 +0.06 6.7		Baird Funds	22.92 +0.13 7.2		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6		MidCapVrd	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	25.23 +0.01 1.02		VANGUARD INDEX FDS	25.23 +0.01 1.02
BondA p	12.92 ... 2.3		BlackRock Funds A	28.02 +0.12 12.7		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6		MidCapVrd	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	25.23 +0.01 1.02		VANGUARD INDEX FDS	25.23 +0.01 1.02
CapIRa p	61.82 +0.12 8.2		BlackRock Instl	10.85 -0.02 2.4		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6		MidCapVrd	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	25.23 +0.01 1.02		VANGUARD INDEX FDS	25.23 +0.01 1.02
CapWGrA p	49.10 +0.18 12.5		CorBdln	11.20 -0.01 2.7		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6		MidCapVrd	105.97 +0.01 4.6		LSBalncd	22.57 +0.04 4.5		Wells	25.23 +0.01 1.02		VANGUARD INDEX FDS	25.23 +0.01 1.02
EupacA p	52.60 +0.19 16.6		BlackRock Instl	22.92 +0.13 7.2		MidCapVrd	105.97 +0.01 4.6		MidCapVrd	10.21 +0.55 22.6	</											

PAID ADVERTISEMENT

Re-imagining customer acquisition.

"Half the money I spend on advertising is wasted. The trouble is, I don't know which half." So lamented department store magnate John Wanamaker, 100 years ago.

Today, sellers still struggle to track individual customers and measure per-sale performance of various incentives. Physical stores and suppliers face particular challenges: to boost sales, they are largely confined to one-size-fits-all instruments like couponing and price adjustments.

Fortunately, there's good news. Innovative combinations of advanced digital tools are coming that will make customer acquisition and sales promotion much more effective.

• • •

A different, Big Data-driven price for each customer.

Imagine that each shopper is offered a custom price for each item they might purchase, depending on a long list of variables: What products do they usually buy? What brands? How much? How often? When last bought? What are they buying today? What is their demographic status (married, single, young, old, male, female, etc.)? What else is in their shopping cart? And, at this moment, precisely where in the store are they standing?

Sellers will have these answers in their databases and will use them to structure unique offers. "Mr. Jones, you bought disposable razors last month. You usually buy brand A. If you buy brand B razors with brand C shaving cream today, you'll get 25% off. And, perhaps you'd like to buy a dozen roses for your anniversary this week for 30% off."

These super-customized offers can be displayed on the shopper's mobile phone, smart watch or even – someday soon – on augmented reality glasses. Offers will be based on datastreams from a "smart cart" system that detects what goes into your basket and instantly accesses relevant data from sellers, buyers, retailers and other stakeholders.

• • •

Next, multiple parties will drive purchase combinations.

Imagine your 50-year-old mother is mildly allergic to corn but loves (and buys) foods containing corn products. She rarely reads ingredient labels. Who might subsidize attractive price offers to your mom, gently nudging her toward corn-free alternatives?

You. You are highly motivated for your mom to consider, say, potato-based pancake mix: "Wow, only 99¢ a box? I'll buy that, not my usual \$4 corn-based product that makes me congested."

With new technology, you, your sister, your mom's insurance company or her employer could all subsidize alternatives, acting together or separately.

Non-food sellers can also cross-subsidize mom's grocery purchases. Mortgage brokers, network providers and credit card companies spend hundreds to acquire a single customer. Any or all of them might offer to pay for mom's entire grocery basket this week, if she switches to their product/service.

Motivated parties make all of this inevitable.

Big Data-driven, digitally-delivered discounts could be applied in various ways. First, stores could instantly adjust prices at the register to deliver promised incentives. Second, the "standard" price could ring up, then five minutes later the incentive amount posts to mom's credit card. Third, mom sends a photo of her receipt to the cable company, which deducts that amount from her first month's subscription bill. These are just some of many possibilities.

Some retailers may resist anything that changes mom's shopping habits, concerned she may suddenly buy less, buy cheaper or buy elsewhere. But other retailers will realize this change is inevitable – and conclude it's smarter to get ahead of the curve.

• • •

My new company, Upside, is already applying some of these new rules and tools.

Upside sells and services business travel to employees at companies without travel departments. Our Big Data software instantly analyzes 10,000+ possible travel choices, finding "needles in the haystack" – the six best money-saving flights and hotels that meet the employee's needs for a specific trip. We also offer dynamic personal incentives that motivate travelers. As they spend less of their company's money, they get more personal rewards.

The rewards? A gift card worth \$100 to \$500 at Amazon.com or their choice of 50 other name-brand stores. (And, travelers still keep all of their frequent flyer miles and credit card points.) Result: an itinerary that might have taken an hour or more to research and purchase with conventional tools is arranged in minutes, with valuable incentives that make employees eager to cut costs. The company can save 5-15% on each trip, still using the same business-quality airlines and hotels.

As Upside grows, we'll add additional items to our current packages of flights and hotel: dining, rental cars, ride sharing, insurance, data services and even Wi-Fi. Soon, companies such as Uber, Lyft, Hertz or Avis could reduce the cost of an Upside Package by \$100 to acquire a brand-new customer, just as a cable company or Netflix might buy all of mom's groceries this week to get her business.

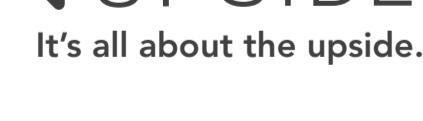
• • •

Innovative customer acquisition processes and promotional systems will transform trillion-dollar sectors of the U.S. economy.

Upside is using business travel as the proving ground for new customer acquisition and sales promotion technology with dynamic "basket" pricing, custom offers and multi-party price underwriting.

Before long, this approach will enable better-targeted incentives, stronger cost controls and increased customer satisfaction across several multi-trillion dollar industries including healthcare, insurance and beyond. Then, not one dollar of our ad budgets will be wasted.

— Jay Walker
Chairman and CEO
Upside.com



MARKETS DIGEST

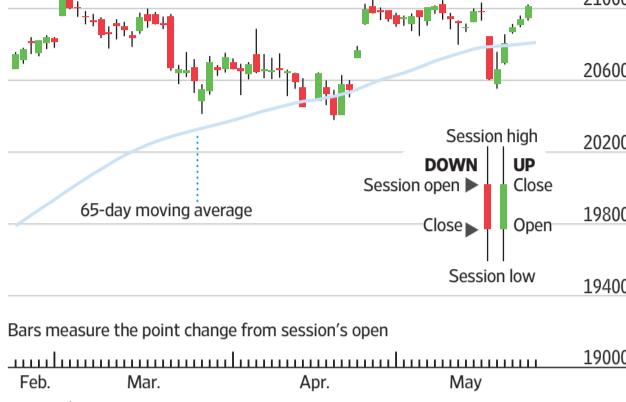
EQUITIES

Dow Jones Industrial Average

21082.95 ▲ 70.53, or 0.34%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 20.52 19.07
P/E estimate * 17.64 16.79
Dividend yield 2.31 2.57
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775



Bars measure the point change from session's open
Feb. Mar. Apr. May 19000

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2415.07 ▲ 10.68, or 0.44%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.44 23.49
P/E estimate * 18.41 17.51
Dividend yield 1.98 2.20
All-time high: 2415.07, 05/25/17



Feb. Mar. Apr. May 2250

Nasdaq Composite Index

6205.26 ▲ 42.23, or 0.69%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio * 26.04 21.69
P/E estimate * 21.09 18.29
Dividend yield 1.12 1.32
All-time high: 6205.26, 05/25/17



Feb. Mar. Apr. May 5400

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
	Dow Jones	Industrial Average	Transportation Avg	Utility Average	Total Stock Market	Barron's 400				
Industrial Average	21112.32	21051.41	21082.95	70.53	0.34	21115.55	17140.24	18.3	6.7	8.3
Transportation Avg	9175.57	9039.41	9163.84	141.32	1.57	9593.95	7093.40	18.7	1.3	4.7
Utility Average	721.32	713.82	720.30	5.18	0.72	720.45	625.44	9.9	9.2	10.5
Total Stock Market	25024.59	24930.91	24985.90	97.07	0.39	24985.90	20583.16	16.1	7.3	7.9
Barron's 400	639.50	635.99	637.14	1.91	0.30	643.82	491.89	21.9	5.9	7.4

Nasdaq Stock Market

Nasdaq Composite	6217.34	6174.52	6205.26	42.23	0.69	6205.26	4594.44	26.6	15.3	14.0
Nasdaq 100	5793.13	5738.82	5778.37	48.07	0.84	5778.37	4201.05	28.8	18.8	16.3

Standard & Poor's

500 Index	2418.71	2408.01	2415.07	10.68	0.44	2415.07	2000.54	15.5	7.9	8.3
MidCap 400	1739.13	1728.73	1731.34	2.99	0.17	1758.27	1416.66	16.9	4.3	8.1
SmallCap 600	842.46	834.86	837.69	0.73	0.09	863.08	670.90	20.2	-0.03	8.8

Other Indexes

Russell 2000	1391.42	1380.33	1383.39	0.88	0.06	1419.43	1089.65	21.4	1.9	7.1
NYSE Composite	11666.90	11623.19	11639.30	18.07	0.16	11661.22	9973.54	11.5	5.3	2.9
Value Line	521.32	517.85	518.46	0.39	0.08	529.13	435.06	13.3	2.4	2.2
NYSE Arca Biotech	3642.65	3604.68	3608.77	-16.80	-0.46	3690.00	2818.70	15.1	17.4	12.3
NYSE Arca Pharma	521.76	518.87	521.16	0.83	0.16	554.66	463.78	0.6	8.2	0.7
KBW Bank	91.78	90.79	91.06	-0.06	-0.07	99.33	60.27	29.4	-0.8	10.2
PHLX® Gold/Silver	84.68	83.37	84.07	-0.79	-0.93	112.86	73.03	2.4	6.6	-1.6
PHLX® Oil Service	151.10	141.55	141.70	-8.04	-5.37	192.66	141.70	-13.7	-22.9	-21.0
PHLX® Semiconductor	1084.02	1073.65	1080.75	5.90	0.55	1080.75	648.32	56.3	19.2	22.4
CBOE Volatility	10.29	9.72	9.99	-0.03	-0.30	25.76	9.77	-25.6	-28.8	-4.2

\$Philadelphia Stock Exchange

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt 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	5,728.9	241.64	-0.12	-0.05	241.82	239.87
Hewlett Packard Ent	HPE	5,301.7	18.82	-0.02	-0.11	18.87	18.82
Utilities Sel Sector SPDR	XLU	4,544.3	53.40	...	unch.	53.40	53.04
Van Eck Vectors Jr Gold	GDXJ	3,630.7	31.75	0.01	0.03	31.80	31.73
Coca-Cola	KO	2,794.3	45.41	...	unch.	45.48	44.99
Bank of The Ozarks	OZRK	2,636.6	46.38	0.19	0.41	47.84	46.14
Juniper Networks	JNPR	2,559.1	29.44	...	unch.	29.47	29.44
ExxonMobil	XOM	2,413.4	81.85	0.10	0.12	82.28	81.73

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Deckers Outdoor	DECK	242.0	64.30	7.73	13.66	64.70	56.55
Nutanix CIA	NTNX	1,243.7					

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,6100	2,5765	2,5920	0,0140	665		
May 2,5765	2,6100	2,5765	2,5920	0,0140	665		
July 2,5890	2,6195	2,5725	2,5975	0,0140	120,096		
Gold (CMX) -100 troy oz.; \$ per troy oz.							
May 125,10	125,30	125,20	125,50	3,40	30		
June 125,80	125,40	125,30	125,40	3,30	151,926		
Aug 126,10	126,20	125,90	125,90	3,30	211,005		
Oct 126,50	126,90	126,20	126,30	3,40	8,535		
Dec 126,80	126,50	126,30	126,80	3,50	69,822		
Feb'18 127,10	127,80	126,70	127,20	3,60	9,041		
Palladium (NYM) -50 troy oz.; \$ per troy oz.							
May 812,80	812,80	812,80	768,85	7,35	1		
June 763,95	770,40	760,00	769,00	7,35	9,082		
July 766,05	769,30	761,60	768,95	7,35	13		
Sept 764,00	769,90	760,00	768,50	7,30	22,376		
Dec 763,90	763,90	761,25	768,00	7,30	310		
Platinum (NYM) -50 troy oz.; \$ per troy oz.							
May 930,70	930,70	930,50	949,80	5,20	1		
July 951,40	958,20	947,60	952,90	5,60	59,632		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.							
May 17,15	17,190	17,150	17,152	0,075	65		
July 17,25	17,260	17,125	17,193	0,076	145,259		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.							
July 51,25	52,00	48,45	48,90	-2,46	580,233		
Aug 51,47	52,22	48,70	49,14	-2,45	190,519		
Sept 51,70	52,38	48,89	49,33	-2,43	192,922		
Dec 52,01	52,68	49,37	49,76	-2,33	328,259		
June'18 51,70	52,23	49,39	49,65	-2,06	115,775		
Dec 51,43	51,73	49,05	49,38	-1,83	158,331		
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.							
June 1,6076	1,6269	1,5459	1,5509	-0,0554	33,370		
July 1,6124	1,6313	1,5500	1,5552	-0,0556	118,042		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.							
June 1,6548	1,6695	1,5995	1,6093	-0,0433	29,253		
July 1,6649	1,6641	1,5904	1,6019	-0,0457	143,979		
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.							
June 3,204	3,257	3,145	3,184	-0,025	19,978		
July 3,294	3,351	3,240	3,275	-0,025	300,367		
Aug 3,334	3,391	3,282	3,317	-0,025	154,726		
Sept 3,316	3,370	3,266	3,299	-0,023	153,180		
Oct 3,338	3,391	3,288	3,322	-0,022	199,347		
Jan'18 3,599	3,635	3,542	3,576	-0,017	103,466		

Contract

Open High hilo Low Settle Chg Open interest

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.							
July	371,00	373,00	368,75	369,25	-2,00	716,807	
Dec	389,50	391,25	387,00	387,50	-2,25	286,400	
Oats (CBT) -5,000 bu.; cents per bu.							
July	239,00	242,50	235,00	242,00	3,50	4,997	
Dec	224,50	226,00	224,00	225,25	-1,50	1,134	
Soybeans (CBT) -5,000 bu.; cents per bu.							
July	947,75	952,50	938,75	939,50	-8,75	361,286	
Nov	947,50	950,75	938,00	939,25	-8,75	194,387	
Soybean Meal (CBT) -100 tons; \$ per ton.							
July	306,30	307,50	304,50	304,70	-1,70	200,574	
Dec	311,00	311,70	308,30	308,60	-2,40	87,799	
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.							
July	110,00	110,70	108,80	109,30	-12,50	8,026	
Sept	112,80	113,00	111,80	111,80	-13,00	1,038	
Wheat (CBT) -5,000 bu.; cents per bu.							
July	431,50	436,00	430,25	430,75	-1,75	266,365	
Sept	445,00	448,75	443,25	444,25	-1,75	81,542	
Wheat (KO) -5,000 bu.; cents per bu.							
July	432,75	438,25	430,75	431,25	-1,50	157,737	
Dec	475,50	481,00	474,00	474,25	-1,50	42,016	
Wheat (MPLS) -5,000 bu.; cents per bu.							
July	560,00	565,75	560,00	562,25	1,25	27,923	
Sept	566,00	571,50	566,00	567,75	1,00	11,803	
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.							
May	143,50	143,50	143,00	143,525	-475	2,171	
Aug	149,00	151,25	147,875	151,125	2,45	33,594	
Cattle-Live (CME) -40,000 lbs.; cents per lb.							
June	12,975	12,400	12,2150	12,3925	1,800	45,997	
Aug	12,450	12,150	11,9375	12,1400	1,475	192,144	
Hogs-Lean (CME) -40,000 lbs.; cents per lb.							
June	80,275	81,075	79,600	80,950	.750	28,127	
Aug	79,675	80,600	79,400	80,550	.700	52,429	
Lumber (CME) -1,000 bd ft.; \$ per 1000 bd ft.							
July	363,00	363,50	351,60	353,00	-8,60	3,570	
Sept	357,50	358,10	347,50	348,50	-8,70	2,770	
Milk (CME) -200,000 lbs.; cents per lb.							
May	15,62	15,63	15,61	15,61	.01	4,820	
June	16,39	16,62	16,31	16,60	.37	5,279	
Cocoa (ICE-US) -10 metric tons; \$ per ton.							
July	1,900	1,927	1,867	1,877	-17	121,221	
Sept	1,911	1,940	1,881	1,889	-19	73,742	

Interest Rate Futures

Treasury Bonds (CBT)-\$100,000; pts 32nds of 100%							
June	153-240	154-020					

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. 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.
 l-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-First day of trading.
 H-Does not meet continued listing standards.
 If-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market 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. of the previous day.

Thursday, May 25, 2017

Net

Stock Sym Close Chg

Stock Sym Close

MARKETS & FINANCE

Wells Sweetens Broker Bonuses

Lender tries to lure top talent even as its rivals pull back from expensive incentives

By MICHAEL WURSTHORN

Wells Fargo & Co. is sweetening its signing bonuses for veteran brokers, a move to capitalize on **Morgan Stanley's** and Merrill Lynch's retreat from the industry's costly recruiting practice known as "prisoner exchange."

The San Francisco bank's brokerage arm told industry recruiters this week it would raise its recruitment offers after The Wall Street Journal reported Morgan Stanley would significantly cut back on the pricey practice of poaching brokers, people familiar with the matter said.

"Attracting the industry's top talent will always be a

priority for Wells Fargo Advisors," a spokeswoman for Wells Fargo said, adding that recruiting advisers and gaining their clients has "helped us grow in key markets."

Wells Fargo is betting on a vacuum left after its rivals' recent decisions to tamp down recruitment efforts, industry recruiters said, as the brokerage unit grapples with an exodus of brokers after its retail-banking scandal.

Wells Fargo's brokerage arm, known as Wells Fargo Advisors, has been losing brokers at a higher rate since the bank paid a \$185 million settlement in September for opening up as many as 2.1 million accounts using fictitious or unauthorized information. At the end of September, Wells Fargo had 15,086 brokers, but its head count fell nearly 3%, or 429 brokers, through the first quarter of this year. Over that same period, both **Bank of America**

Broker Census

Number of brokers at the four big U.S. brokerages, quarterly

20,000 brokers



Source: Companies' SEC filings

Corp.'s Merrill Lynch's and Morgan Stanley's head counts declined by half a percentage point.

For brokerage firms, recruiting is synonymous with growth. Brokers hired away from rivals usually bring as

much as 80% of their clients and assets with them, giving the acquiring firm a boost.

Before last fall, deals had reached such lofty prices that they were sometimes money losers for firms, paying the industry's most sought-after

brokers more than three times the fees and commissions they generated in the past year. However, in October, the Labor Department said certain incentives tied to those bonuses could run afoul of its fiduciary rule requiring brokers to act in the best interest of retirement savers, forcing brokerages to lower the overall size of its deals.

For brokers who generate several millions of dollars in fees and commissions, Wells Fargo is willing to offer a recruitment bonus of as much as three times the annual revenue they generate, with the bonus structured as a loan forgiven as the broker stays with the firm and hits certain targets, people familiar with the matter said. That is up from the roughly 2½ times most brokerages were recently offering but still below the sky-high deals in the years after the financial crisis.

AmTrust Founders Add Funds To Insurer

By LESLIE SCISM AND MICHAEL RAPORT

The founding family of **AmTrust Financial Services Inc.** is investing an additional \$300 million into the insurer following a steep dive in its shares tied to investor concerns.

The infusion of money from the Karfunkel family should "provide confidence to all of our stakeholders that we are well capitalized to grow and write business," the company said.

AmTrust is the nation's third-largest workers' compensation insurer by market share. It protects millions of U.S. workers by bearing responsibility for their medical care and lost wages from job-related injuries.

AmTrust was founded in 1998 by the Karfunkel family of New York and has grown rapidly through acquisitions, with 2016 revenue of \$5.45 billion. The family still owns about half of the company after taking it public in 2006.

"Members of the Karfunkel family chose to make this investment because they believe strongly in the company's future," Barry Zyskind, AmTrust chairman and chief executive, said.

Mr. Zyskind is the son-in-law of the late Michael Karfunkel, who was a co-founder of AmTrust along with his brother George Karfunkel, who is an AmTrust director.

The insurer's fast expansion has attracted criticism from bearish investors who questioned the company's accounting and bet the stock's price would fall. The stock has lost about 55% since late February, when the company said its annual report would be delayed. It acknowledged accounting errors in some areas of its operations that ultimately led it to restate three years of earnings when the report was filed.

In April, The Wall Street Journal reported that AmTrust is under investigation by the Securities and Exchange Commission and that the focus of the probe includes the company's accounting practices. The Journal also reported that a group led by a forensic accountant, Harry Markopolos, has been working with a whistleblower to question AmTrust's accounting and has provided its findings to regulators.

Mr. Markopolos made a name for himself helping to expose Bernard Madoff's Ponzi scheme.

The Markopolos group hopes to profit by collecting a reward under the SEC's Whistleblower Program, if the agency ever successfully brings legal action in the matter.

AmTrust has denied any wrongdoing and has said critics spread false information about the company. AmTrust noted on its first-quarter conference call that KPMG LLP, the company's new auditor, had given it a clean audit opinion and that every one of the critics' claims had been reviewed in the process.



Activists battle police officers at a protest against Freeport-McMoRan in Jakarta, Indonesia, in April. Workers are striking at the firm's Grasberg mine in Papua Province.

Miners' Strike Boosts Prices for Copper

By IRA JOSEPHASHVILI AND ALISTAIR MACDONALD

Copper prices rose to a three-week high Wednesday, supported by strikes in Indonesia and a weaker dollar.

Copper for July delivery closed up 0.5% at \$2,5975 a pound on the Comex division of the New York Mercantile Exchange, the highest level since May 3.

Prices are being lifted by continuing unrest at **Freeport McMoRan's** Grasberg copper mine in Indonesia, where workers have vowed to extend a strike into a second month. Grasberg is the world's third-largest copper mine.

With no end to the disturbance in sight, some investors have decided to lock in profits on bets against the metal, wary of prices being squeezed

higher by expectations of falling supplies, said George Gero, managing director at RBC Capital Markets.

A weaker dollar also gave

boost to copper, which is

priced in the U.S. currency and becomes more affordable to foreign buyers when the dollar declines.

The price of copper has drifted lower since February as the reflation trade that had

sent the metal soaring late last year has faded and concerns over the Chinese economy and its level of indebtedness mounted.

Meanwhile, gold was up

0.3% at \$1,255.30 a troy ounce.

The precious metal got lit-

tle direction from minutes re-

leased late Wednesday from

the Federal Reserve's May

meeting that suggested the

central bank's officials are

likely to raise rates next month, but will continue to move at a gradual pace.

A rate increase at the Fed's June meeting was already widely anticipated by market participants.

Anticipation of a faster path for U.S. rate rises would hit gold, which becomes less competitive against yield-bearing securities such as Treasurys.

FINANCE WATCH

FOREIGN EXCHANGE

Trading Standards Getting Overhaul

A group of global standards setters on Thursday completed a new set of principles for trading in the foreign-exchange market, capping a two-year effort to improve transparency after a series of collusion scandals at major banks.

The Bank for International Settlements, a Switzerland-based consortium of central banks, released the final version of the code of conduct for the global foreign-exchange market.

A group that included central

banks, asset managers and

banks has been working on the

code since 2015. The first phase

was released in May 2016.

The code is aimed at raising transparency and fairness in six areas: ethics, governance, execution, information sharing, compliance and trade settlement.

The code was a response to

global investigations into fraud-

ulent behavior among foreign-ex-

change traders at several major banks.

"Public trust was shaken as a result of the global financial crisis, and there were specific situations in the global FX market that caused public trust to be further undermined," said David Puth, chief executive of foreign-exchange settlements firm CLS Group.

Regulators have handed down billions of dollars in fines for the alleged misconduct, which ranged from front-running client orders to overcharging clients on commissions.

The U.S. Justice Department has charged at least six individuals as part of the probe.

On Wednesday, French bank

BNP Paribas SA was fined \$350

million by the New York bank

regulator for "nearly unfettered

misconduct" in its currency-trading

business from 2007 to 2013.

BNP said in a statement that it

has strengthened its compliance

systems, adding that the behavior

"was a clear breach of the high standards on which the group operates."

The new code includes 55 "principles" that set a global standard for practices such as information sharing among banks, hedging client trades and transparency around pricing.

The foreign-exchange market lacks a centralized exchange, which has historically made it more difficult for investors to get information about the pricing and execution of their trades.

Roger Rutherford, chief operating officer of currency-trading platform ParFX, said he doesn't expect big changes in his business as a result of the new code.

Still, he says the code is important because "it will draw people's attention to certain types of behavior."

—Chelsey Dulaney

ROYAL BANK OF CANADA

Fee Business Helps Earnings Rise 9.3%

Royal Bank of Canada's sales and profit handily topped expectations in the second quarter, led by gains in its fee-based busi-

nesses.

Net interest income increased 4.2% to 4.2 billion Canadian dollars (\$3.13 billion) while noninterest income climbed 11% to C\$6.11 billion.

Toronto-based RBC, Canada's largest lender by assets, said its net profit jumped 9.3% to C\$2.81 billion, or C\$1.85 a share, in its latest quarter ended April 30, from C\$2.57 billion, or C\$1.66 a share, a year earlier.

When adjusted to exclude gains from the sale of **Moneris Solutions** Inc., the U.S. operations of a payment processor, and other items, earnings came in at C\$1.89 a share. Revenue rose 8.2% to C\$10.31 billion. Analysts polled by Thomson Reuters had expected adjusted earnings per share of C\$1.80 and revenue of C\$9.45 billion.

Revenue from personal and commercial banking operations rose 5% as growth in Canadian banking more than offset declines in its U.S. and Caribbean business. Assets under management at the bank increased 12%.

—Imani Moise



Royal Bank is Canada's largest lender in terms of asset size.

MARKETS

BlackRock Uses Big Data to Deploy Ads

New system uses algorithms to put online ads in front of most likely customers

BY SARAH KROUSE

At the exact moment a mom-and-pop investor considers buying bank stocks, an advertisement pops up on their desktop promoting a financials-focused fund.

The scenario isn't science fiction; it is **BlackRock** Inc.'s latest business plan.

The world's largest money manager with \$5.4 trillion under management is developing a new advertising system that uses sentiment analysis from

messages on **Twitter** Inc. and other data to help determine when to advertise specific funds in its vast lineup of exchange-traded funds.

The effort, a partnership with advertising firm **WPP** PLC, is the latest example of fund firms experimenting with new ways to attract cash in an increasingly competitive market for low-cost index-tracking funds. It shifts the use of computer programs beyond investing to using algorithms to woo retail investors.

"The same value we get on the investing side from big data and algorithms and looking at trends and responding to them—we'd like to do that on the advertising side," said Jennifer Grancio, head of

THE QUANTS

Machines and their masters are the undisputed new kings of Wall Street

global business development at BlackRock's iShares ETF business.

BlackRock competes with rivals including **Vanguard Group**, **State Street Corp.**, **Invesco Ltd.** and **Charles Schwab Corp.** for investor cash in the \$2.8 trillion U.S. ETF market.

The financial-services industry spent \$2.5 billion on automated online-ad buying

and selling in 2016, according to estimates from market research firm eMarketer.

Algorithms have been a part of the digital ad-buying process for years, where ad space is traded on exchanges like stocks in financial markets. But BlackRock and WPP are now trying to apply quantitative strategies to determine when to ramp up buying. These algorithms even adjust how much money the firm is spending on such ads.

ETFs have become the epicenter of growth in the asset-management industry, attracting hundreds of billions in new investor money in recent years. They have tax advantages over mutual funds and trade on exchanges like stocks.

Money managers have raced to one up each other on product launches and ultralow fees.

BlackRock, which has cut prices aggressively for some products, also is trying to respond faster to economic and political changes that shape investor decisions. To do so, the firm is relying on social-media sentiment data and analysis of news stories to determine which ETF ads to display.

Ahead of the U.K.'s vote last year to leave the European Union, BlackRock advertised its iShares MSCI United Kingdom ETF, an unhedged ETF that invests in U.K. stocks. It quickly opted to switch the ads to a hedged version of the fund after U.K.'s surprising decision to leave the EU.

But the money manager wants to do more and at a faster pace while staying ahead of rivals. BlackRock is using analysis from firms such as iSentient LLC to start ramping up or scaling back targeted ads in sync with investor sentiment.

Such efforts bring distinct challenges. Hagan Major, co-founder of ad firm Yellowhammer Media Group, said asset managers face a balancing act in pushing targeted ads about financial decisions without encroaching on the privacy of clients.

"There's a very fine line between really effective and really creative and something that feels invasive for a consumer," he said.

China Chides Moody's After Its Downgrade

BY SHEN HONG

SHANGHAI—Moody's Investors Service is facing a backlash in China against its decision to cut the country's credit rating, a move that has come just as foreign ratings firms are set to receive greater access than ever to the world's No.2 economy.

Granting major ratings firms greater leeway to operate in China has long been seen as a crucial step in the bond market's opening. Local firms that currently dominate ratings in China are often criticized for their leniency: The vast majority of China's corporate-bond issuers enjoy an investment-grade rating of at least above double-A, making it difficult for investors to discern different issuers' creditworthiness.

Beijing has said it would allow foreign firms to provide credit-rating services in China by July 16, as part of a plan agreed to at the summit between President Donald Trump and Chinese President Xi Jinping at Mar-a-Lago in April.

It is too early to say whether as a result of its downgrade Moody's will face problems growing in China once the market opens up. Many of the companies that issue bonds in China are state-owned, meaning the government could in theory press firms not to pay out-of-favor firms for ratings.

Analysts say it will be hard for China to punish Moody's without harming its reputation among investors.

"As a general matter we are encouraged by the policies of the Chinese Government to open the Chinese Capital Markets, including to the CRA [credit rating agency] industry," Moody's said in its reply to the Journal.

What Peg? Dollar Is Up in Hong Kong

The U.S. dollar has been on something of a tear—against one currency where it ought to be quite stable.

The greenback has risen 0.5% to a recent peak of just higher than 7.79 Hong Kong dollars so far in 2017.

That may not look dramatic, until the U.S. dollar's broader weakness is taken into account. The ICE Dollar Index, which measures the U.S. currency against six others including the euro and Japanese yen, slumped 4.9% through May 24, its worst performance during that period since 2008.

The U.S. dollar's rise against the Hong Kong dollar is even more noteworthy because Hong Kong's currency is actually pegged to the greenback, and has been for more than three decades, trading within a range of 7.75 to 7.85 to one U.S. dollar.

Normally, the pair's swings are quite limited; the greenback's last annual move of more than 0.1% against its Hong Kong counterpart was in 2012.

What's driving this anomaly?

The main cause is a widening gap between the short-term interbank interest rates, which reflect the cost for banks to

borrow from each other. The one-month U.S. dollar London interbank offered rate, or Libor, rose to 1.02% recently from 0.77% at the end of 2016. Its Hong Kong counterpart, known as Hibor, has meanwhile halved to 0.35% from 0.75% on Dec. 30. The spread between the two rates reached its widest since late 2008 in April, according to Kevin Lai, chief economist for Asia ex-Japan at Daiwa Capital Markets.

The interest rate disparity is unusual. The Hong Kong Monetary Authority, the city's de facto central bank, usually adjusts the city's base interest rate when the Federal Reserve makes a move: the HKMA lifted its base rate to 1.25% on March 16, a day after the Fed last raised its federal-funds rate target.

Still, interbank borrowing rates don't have to follow suit. Analysts and economists in Hong Kong say the reason Hibor has fallen so low is that the city is essentially flush with cash.

A key factor has been the stiff competition in the local mortgage market, according to Tianjie He, an economist at Oxford Economics.

Banks have been reluctant to pass higher interest rates on to borrowers, which in turn has kept interbank lending rates low.

—Saumya Vaishampayan



A scene from Netflix's 'Orange Is the New Black.' The company's shares jumped 3.4% after an investment bank raised its price target.

Consumer Sector Bolsters Stocks

BY AKANE OTANI AND RIVA GOLD

Consumer-discretionary shares helped lift the S&P 500 to its 19th record close of the year—surpassing the number of new highs set in 2016.

Strong first-quarter earnings, accommodative monetary policy and upbeat U.S. economic data

EQUITIES have pushed stocks higher this year despite waning expectations for tax cuts and fiscal stimulus from the Trump administration.

The S&P 500, Dow Jones Industrial Average and Nasdaq Composite have risen for six straight sessions, with the Nasdaq also notching a new

high Thursday. The Dow industrials closed in on its record, which it set March 1.

Still, some investors say they remain wary of the stock run. The S&P 500 traded as of Wednesday at roughly 22 times its past 12 months of earnings, according to FactSet, above its 10-year average of 17 times trailing earnings.

"We think U.S. equities look expensive," said Jeff Hussey, global chief investment officer at Russell Investments, whose firm has reduced exposure to U.S. stocks this year. Stock investors may find better opportunities elsewhere, such as Europe, Mr. Hussey said, citing broad earnings improvement across the eurozone and relatively low valuations.

The Dow industrials added 70.53 points, or 0.3%, to 21082.95. The S&P 500 rose 10.68, or 0.4%, to 2415.07 and the Nasdaq Composite climbed 42.23, or 0.7%, to 6205.26.

Consumer-discretionary stocks rose 0.9% in the S&P 500, finishing as the best-performing sector in the broad index on Thursday.

Best Buy jumped \$10.83, or 21%, to \$61.25—a record—after the electronics retailer raised its profit and sales outlook for the year and its quarterly earnings beat analysts' estimates.

The stock's one-day percentage increase was the largest since 2001. Shares of **Netflix**, whose price target was raised by investment bank Piper Jaffray, rose 5.30, or 3.4%, to 163.05.

Energy shares fell with oil prices, putting some pressure on major stock indexes, after the Organization of the Petroleum Exporting Countries agreed to extend output cuts through March 2018.

The S&P 500 energy sector fell 1.8%, while crude for July delivery shed \$2.46, or 4.8%, to \$48.90 a barrel as some investors expressed skepticism that the deal would offset soaring output from American shale producers.

The drop in oil prices hit some overseas markets early Friday. Australia's S&P ASX 200 was down 0.8%, while Japan's Nikkei was down 0.2%.

Treasurys Advance on Fed Signals

BY MIN ZENG

The U.S. government-bond market strengthened for a second consecutive session as investors cheered on the Federal Reserve's signals that its tightening campaign

CREDIT MARKETS would continue to proceed in a slow manner to avoid rattling markets.

The yield on the benchmark 10-year Treasury note fell to 2.254%, from 2.266% Wednesday and 2.285% Tuesday. Yields fall as bond prices rise.

Bonds advanced along with stocks, which mirror market moves driven by the Fed's bond-buying monetary stimulus. The S&P 500 stock index closed at a record Thursday, extending this year's rally.

Some bond traders say the prospect of steady yields, instead of the increase many had expected, continues to drive some investors to accept more risk, which has been one of the factors fueling strong demand for stocks, corporate bonds and emerging-market assets this year.

The Bank of America Merrill Lynch MOVE index, which measures implied Treasury bond-price swings based on options, pointed to subdued expectation over price swings. The index settled at 54.4058 Wednesday, the lowest level since August 2014, another sign that the Fed minutes released Wednesday afternoon reduced concerns about a big

rise in yields.

The Fed's minutes for its May 2-3 policy meeting suggest the central bank is on track to raise short-term interest rates next month. But officials signaled they may hold steady if economic conditions don't warrant a move so soon.

In addition, Fed officials suggested a slow and predictable manner when they start the process of winding down

recovery."

Lower bond yields also reflect a camp of thoughts in the bond market that after a possible increase in June, the Fed may stand pat for the rest of the year, say some analysts.

This explained why the bond market didn't sell off even as financial derivatives linked to bets on the Fed's policy outlook priced in a large probability that the Fed would pull the trigger at its June 13-14 meeting.

The idea runs against the Fed's projections in March about two additional rate increases following the March move. Yet some investors say the Fed may be forced to pause given the uncertainty surrounding the outlook for the U.S. growth momentum, inflation and fiscal stimulus.

The consumer-price index excluding food and energy last month fell below the Fed's 2% target. Matt Toms, chief investment officer of fixed income at Voya Investment Management, said further signs of slowing inflation could derail the Fed's rate-increase plan.

The 10-year Treasury yield has fallen this year after a big rise in late 2016. The yield traded at 2.446% at the end of 2016. In mid-March, it had traded above 2.6%.

Traders say the range-bound mentality in the bond market underscores the difficulty in predicting bond yields given the conflicting signals in both the global economy and financial markets.

2.254%
Yield on the benchmark 10-year Treasury note

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

SEVEN-YEAR NOTES

Applications	\$74,508,769,400
Accepted bids	\$31,368,553,400
*noncompetitively	\$9,000,000
Foreign noncompetitively	\$0

Auction price (rate) 99.610738 (2.060%)

Interest rate 2.000%

Bids at clearing yield accepted 74.08%

Cusip number 912828XTZ

The notes, dated May 31, 2017, mature on May 31, 2024.

Treasury Auctions

The Treasury Department will auction \$142 billion in securities next week, all on Tuesday, comprising \$33 billion in new debt and \$109 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ \$25 billion in 14-day cash-management bills, a reopening of an issue first sold on Dec. 15, 2016, maturing June 15, 2017. Cusip number: 912796LE7.

◆ \$45 billion in four-week bills, a reopening of an issue first sold on Dec. 29, 2016, maturing June 29, 2017. Cusip: 912796LF4.

◆ \$39 billion in 13-week bills, a reopening of an issue first sold on March 2, 2017, maturing Aug. 31, 2017. Cusip: 912796LR8.

◆ \$33 billion in 26-week bills, dated June 1, 2017, maturing Nov. 30, 2017. Cusip: 912796ME6.

Noncompetitive tenders for both the 14-day and four-week bills must be received by noon EDT Tuesday and competitive tenders by 1 p.m. Noncompetitive tenders for both the 13- and 26-week bills are due by 11 a.m. EDT Tuesday and competitive tenders, by 11:30 a.m.

MARKETS

Utilities Stocks Are Back in Favor

Investors scoop up shares amid lowered expectations Trump can goose growth

By LYING QIAN

Shares of utilities companies are leading gains in the S&P 500 this week, the latest sign that hopes of stronger economic growth under President Donald Trump have moderated.

The S&P 500's utilities sector posted its seventh consecutive session of gains on Thursday, its longest winning streak in more than a year. The sector has climbed 2.5% this week, making it the best performer of the index's 11 sectors and outpacing the S&P 500's gain of 1.4%.

Investors tend to buy utilities stocks when they are concerned about other parts of the market or are seeking the sector's relatively hefty dividends in a low-rate environment. While U.S. economic data point to continued expansion, bond yields have declined, in part reflecting investors' tempered expectations for sharply higher growth and inflation.

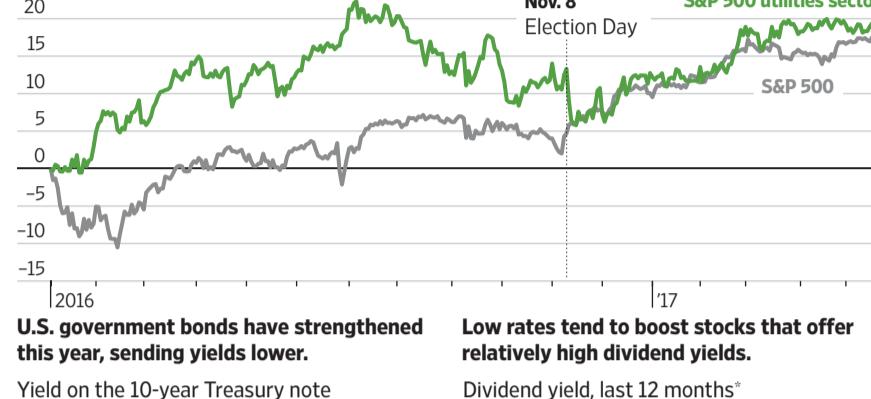
The economic data are "showing that rates can come up, but at a slow, gradual pace," said Jay Rhame, portfolio manager at Reaves Asset Management, which specializes in utilities investments. "Nobody's getting worried about inflation rising out of control."

Investors sold utilities and U.S. government bonds after the election, but both have gained this year amid concerns about Mr. Trump's ability to enact tax cuts, deregulation and infrastructure spending. The yield on the 10-year Treasury note was 2.254% Thursday, compared with 2.446% at the end of 2016, according to Tradeweb. Yields fall as bond prices rise.

Powering Up

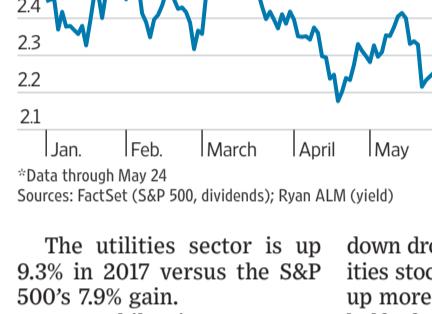
Shares of companies that provide electricity, water, natural gas and sewage services have outperformed the broader market recently, reflecting how investors have dialed back their expectations for economic growth since the election.

Investors often view the assets as bond proxies and piled into them early last year when markets stumbled amid concerns about the global economy.



U.S. government bonds have strengthened this year, sending yields lower.

Yield on the 10-year Treasury note



*Data through May 24

Sources: FactSet (S&P 500, dividends); Ryan ALM (yield)

The utilities sector is up 9.3% in 2017 versus the S&P 500's 7.9% gain.

Meanwhile, investors are also scooping up technology shares, sending the sector up 20% this year. Tech stocks are prized for their growth potential and have generally offered better-than-average returns since the financial crisis.

"What's in favor is what I call the barbell," said Russ Koesterich, co-portfolio manager of BlackRock Inc.'s Global Allocation Fund. "At one end you have the safe yield plays, at the other you have the secular growth plays."

Early last year, worries about a global economic slow-

down drove investors into utilities stocks, sending the sector up more than 20% in the first half of 2016 and pushing its 12-month trailing price/earnings ratio above the S&P 500's.

The utilities sector got a boost last week as turmoil in Washington cast further doubt on Mr. Trump's ability to push for policy changes.

The relative performance between the Dow Jones Transportation Average and the Dow Jones Utility Average has fallen back near its pre-election level, according to data from Gluskin Sheff & Associates and Haver Analytics, as investors bet less on companies that carry the raw materi-

als and goods powering the economy and more on utilities.

Investors and analysts say utilities are attractive during broader market turbulence because demand for electricity, water, natural gas and sewage services tends to be stable. The sector includes shares of companies like DTE Energy Co., a Detroit-based energy company, and Consolidated Edison Inc., which provides electric service to parts of metropolitan New York.

Both companies have gained roughly 11% this year. On Thursday, DTE Energy rose \$1.06, or 1%, to \$108.98, while Consolidated Edison added 59 cents, or 0.7%, to \$82.04.

Some say the recent gains could be fleeting. According to minutes from the Federal Reserve's May meeting released Wednesday, some officials expressed concern about recent softness in inflation and other economic data.

Analysts at TD Securities said investors have focused on comments in the minutes saying "it would be prudent to await additional evidence" that the recent weak run of data is temporary before tightening policy again.

"We still believe a June hike is very much in play but the risks around inflation and wages have sparked a broader debate at the Fed," said Alan Gayle, director of asset allocation at RidgeWorth Investments.

In the long run, Mr. Gayle said he still expects rates to move higher and utilities to retreat.

Currencies Of Crude Exporters Take a Hit

By CHERSEY DULANEY

The dollar rose against the currencies of oil-exporting nations after the latest OPEC meeting sent oil prices lower.

The dollar gained 0.6% against the Canadian dollar, 0.7% against the Russian ruble and 0.9% against the Norwegian krone.

Global oil prices slid nearly 5% Thursday even as the Organization of the Petroleum Exporting Countries renewed a deal to cap production into March 2018.

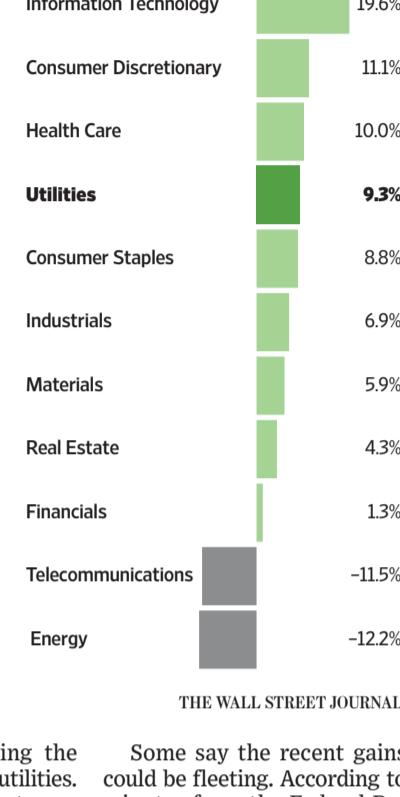
The WSJ Dollar Index, which measures the U.S. currency against 16 others, rose 0.2% to 88.79. Investors continue to assess the outlook for higher U.S. interest rates. Higher rates make the dollar more attractive to investors as they would boost returns on assets denominated in the currency. Minutes from the Federal Reserve's May meeting, released Wednesday, showed officials expect to raise interest rates soon even though the economy stumbled in the first quarter. Still, some Fed officials expressed concern about recent softness in inflation and other economic data.

Analysts at TD Securities said investors have focused on comments in the minutes saying "it would be prudent to await additional evidence" that the recent weak run of data is temporary before tightening policy again.

"We still believe a June hike is very much in play but the risks around inflation and wages have sparked a broader debate at the Fed," said Alan Gayle, director of asset allocation at RidgeWorth Investments.

In the long run, Mr. Gayle said he still expects rates to move higher and utilities to retreat.

The sector is one of the best performers in the S&P 500 so far this year.



THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Drug Prices' Latest Risk Is the FDA

Health-care investors have another clear signal that regulatory scrutiny of high drug prices isn't going away.

Scott Gottlieb, the new commissioner of the Food and Drug Administration, made that clear Thursday, unveiling a host of policy plans that would enable the FDA to fight high drug prices in ways that the agency hasn't done before. These policy changes are less drastic than say, overhauling rules surrounding how Medicare pays for prescription drugs, but they should generally be easier to implement.

The pace of generic-drug approvals already has picked up, helping to pressure generic-drug prices. Dr. Gottlieb would further speed the process. Publishing lists of older drugs without generic competition, another element of a plan to entice new market entrants, would further chill the business model of buying up old drugs and jacking up their prices.

Other proposals will be trickier to implement, but they could have larger implications for drug stocks. Intervening in situations in which the FDA deems that brand-drug makers are abusing safety rules to deny samples to generic companies for testing, a subject of proposed legislation in Washington, could place older branded-drug franchises in jeopardy.

A separate proposal aimed at enhancing competition for complex generics is likewise easier said than done, but presents risks to high-profit-margin products.

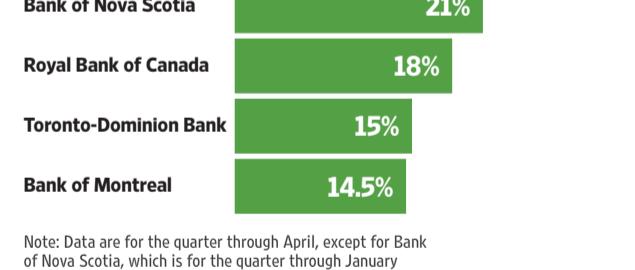
It turns out there is more for investors to worry about in Washington besides a potential overhaul of the Affordable Care Act.

—Charley Grant

Housing Haunts Canadian Banks

Northern Exposure

Canadian residential mortgages as percentage of total assets



Note: Data are for the quarter through April, except for Bank of Nova Scotia, which is for the quarter through January

Source: the companies

THE WALL STREET JOURNAL.

The country's private-sector debt rose to 185% of gross domestic product last year, which is up around 30% from a year earlier.

These included a 15% tax on foreign buyers, mimicking a move taken by British Columbia in 2016.

And earlier this month, Moody's Investors Service downgraded the Canadian banking sector, citing high private-sector debt levels.

Four of Canada's five largest banks reported quarterly earnings this week. Three of them—Royal Bank of Canada, Canadian Imperial Bank of Commerce, and Toronto-Dominion Bank—beat analyst

expectations. Delinquency ratios on their mortgages are remarkably low at around 0.25%.

Nonetheless, there is cause for concern. Total exposure to mortgages is high, averaging one-fifth of assets at the five largest banks.

CIBC stands out with 36% of assets in Canadian residential mortgages.

Loss ratios won't remain so low in the event of a housing or economic downturn. And even if there isn't a housing downturn, measures to cool the market will slow lending growth.

Canadian banks have enjoyed a reputation for soundness since they emerged relatively unscathed from the 2008 crisis.

Now, though, they hold lower levels of capital than their counterparts south of the border. The big five Canadian banks boast an average common-equity Tier 1 capital ratio of 11.2%, compared with 11.9% for the four largest U.S. banks.

Canadian banks' shares also are much more expensive. The big five trade at an average 1.79 times book value, compared with 1.15 for the U.S. big four.

It is getting late in the Canadian credit cycle. This is no time to be betting on the country's banks.

—Aaron Back

OVERHEARD

Bike-sharing apps require that riders put down a deposit in case the bike disappears. In China, the real problem may be the deposit disappearing.

China's Ministry of Transport, the People's Bank of China and several other ministries released a directive this week requesting that popular bike-sharing apps ensure that security deposits for renting bikes don't get mixed with other company funds and are returned promptly.

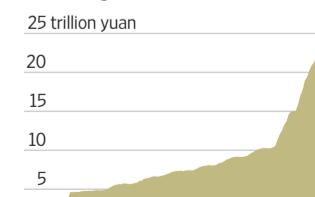
As bike-sharing services have rapidly expanded in China, anecdotal accounts of customer security deposits being misused have surfaced in local media.

Chinese regulators are under heavy pressure from top officials in a continuing campaign to clean up the country's risk-laden financial system. Bike deposits are apparently as important as bank deposits.

Where the China Credit Crunch Could Really Take a Bite

What Bailout?

Chinese government-bond debt



levels in China—still so crucial to the country's growth—were in a tailspin. One main reason was a double whammy for city governments, normally big drivers of capital spending.

Falling land sales, which represent around one-third of

local revenue, were pummeling budgets just as Beijing had rammed through tough restrictions on cities' off-balance-sheet fundraising.

By March 2015, it was obvious that the clampdown had gone too far. In a policy U-turn, Beijing greenlighted a massive refinancing program for troubled local governments, and the struggling industrial companies they owned, allowing them to directly issue bonds in large amounts for the first time.

By doing so, though, Beijing was also implicitly recognizing its ultimate responsibility for these debts.

The result was a stunning expansion of formal government debt in China as corporate liabilities were refinanced wholesale through

provincial bonds: Government-bond debt, which had been running around 15% of gross domestic product since the 2008 global financial crisis, nearly doubled to 28% in just two years.

As provincial-debt issuance rose from negligible levels in 2014 to a monthly peak of more than 1 trillion yuan (\$140 billion) in April 2016, overall investment in the economy also stabilized.

The bad news is that rising bond yields in China have now pushed municipal-bond issuance sharply back down—it amounted to just 325 billion yuan in April, barely one-third of last year's peak.

Off-balance-sheet financing by local governments through the corporate-bond

market has also been punished by higher yields and a renewed regulatory crackdown. All of this has coincided with signs of peaking in both industrial activity and investment growth, which ticked downward in April for the first time since December.

For now, strong land sales are continuing to send money into local-government coffers, and the scale of the clampdown on off-balance-sheet financing remains unclear.

If land sales weaken further or the new regulatory campaign pushes bond issuance by local governments sharply lower, investors should brace for a stormy late 2017.

—Nathaniel Taplin

Pop star Harry Styles lists Los Angeles home for \$8.495 million

M2



MANSION

'Neither the Crusades nor Alexander's expedition to India can equal this emigration to California.'

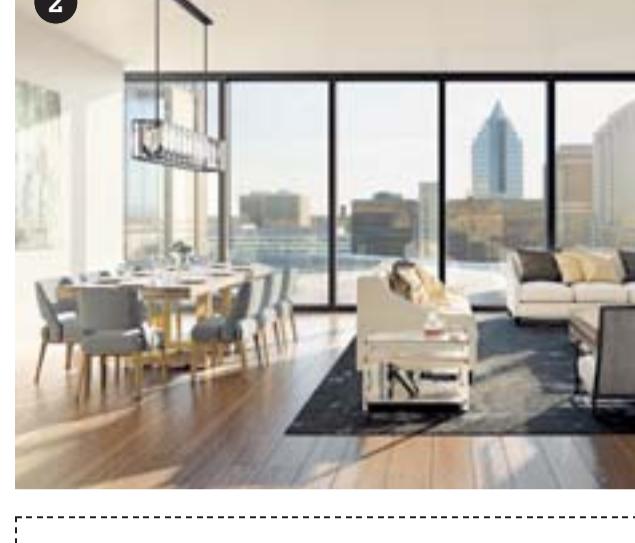
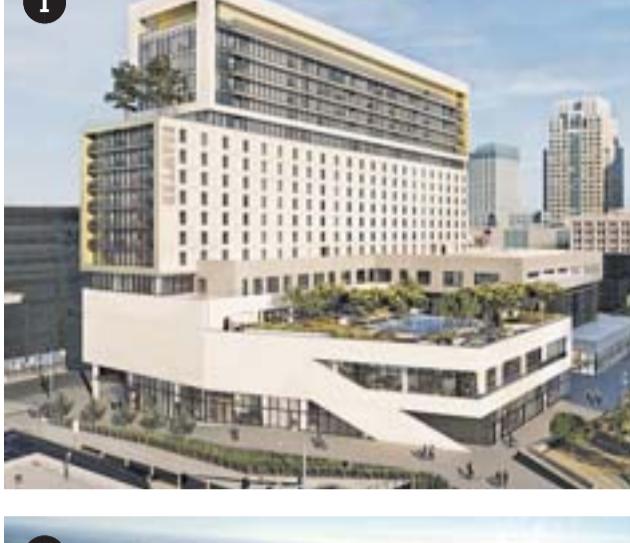
—C.N. Ormsby's 1849 letter home

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

© 2017 Dow Jones & Company. All Rights Reserved.

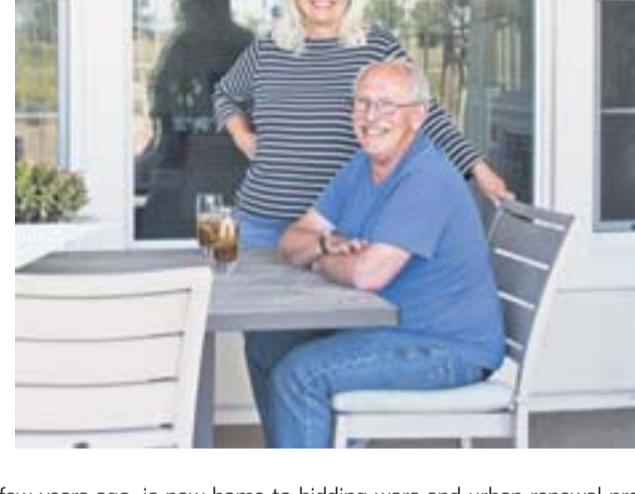
THE WALL STREET JOURNAL.

Friday, May 26, 2017 | M1



California's Newest Hot Spot

The once-sleepy government town of Sacramento rides a new real-estate boom.



LOOKING UP Sacramento, which was mired in a housing slump a few years ago, is now home to bidding wars and urban renewal projects. 1, 2. Renderings of the Residences at the Sawyer, one of the city's most ambitious residential projects. 3. The Golden 1 Center 4. The State Capitol 5. Bikes at the Cannery. 6. Raleigh and Nan Klein 7. The clubhouse at McKinley Village. 8. The city.

BY CANDACE JACKSON

PRICE CUTS HAVE BEEN REPLACED by bidding wars. A once-sleepy downtown is flush with urban-renewal projects. A luxury condo tower with penthouses priced over \$4 million is under construction. Sacramento, Calif., long seen as a fairly bland government town, is in the midst of a real estate boom.

When Suzanne Greer listed her six-bedroom home just outside of Sacramento last month, so many potential buyers showed up to the three-hour open house that her real-estate agent had to extend it by two hours. Offers started coming in that evening. Eight buyers entered a bidding war.

"We've been here 17 or 18 years and have never seen it like this," says Ms. Greer, who, with her husband, owns a commercial air conditioning business. She sold the home for \$40,000 over

the \$799,000 asking price—plus two months of free rent so she doesn't have to move out right away while she builds a new home nearby.

Houses are moving fast. Homes in Sacramento have been selling in an average of 34 days—six days faster than they were at this time last year, and 28 days faster than the U.S. overall.

It is a dramatic turn of events for a city that just a couple of years ago was still struggling to

Please turn to page M4

13,000 SQUARE FEET OF CHILD'S PLAY

A stage with velvet curtains; spirited games of skeeball; a hidden room under the basement stairs and a backyard zip line. This couple's South Dakota home was designed to inspire and enrich their children.

BY STEFANOS CHEN

CHAMP, EILEEN AND MAX just got home from school. Champ, 11, heads to the living room, removes his shoes and—swoosh—takes the metal slide to the basement.

On this lower level, their parents, Keith Baumgarten and Sara Keane Baumgarten, have built a vast playland for their four children, ages 4 to 11, in their 13,000-square-foot home in Sioux Falls, S.D. Here, the children practice classical guitar, mixed with some piano and percussion, on a stage flanked by velvet curtains. In a hidden room beneath the stairs, decorated with Chinese lanterns and jade carpet, the children practice Mandarin once a day with a private tutor. Later, they can play skeeball, the classic carnival game, or enjoy a snack from the basement's kitchen.

In an adjacent guesthouse, there is an elaborate, lofted playhouse with bunk beds for each of the children. Outside, there is a large swimming pool and a play set that includes a climbing



LOCAL LEAGUE
Lou Piniella's Florida childhood M5



LIFE LESSONS
Renovating a former school in Madrid M3



CONVERTED SPACES
Three churches that became homes M8

THE SLIDE RULES Keith Baumgarten and Sara Keane Baumgarten paid \$2.05 million for their Sioux Falls, S.D., home, top right, and spent another \$1.2 million renovating it. Above, left and right, Champ at the top of the metal slide and Eileen at the bottom.

Please turn to page M10

CLOCKWISE FROM TOP LEFT: VISUALHOUSE (RENDERINGS); SACRAMENTO KINGS; MAX WHITAKER FOR THE WALL STREET JOURNAL (2); THE NEW HOME COMPANY; SACRAMENTO KINGS

MANSION



NICK SPRINGETT (2)



MARLINS SLUGGER BUYS MIAMI PENTHOUSE

Miami Marlins slugger Giancarlo Stanton is buying a glitzy penthouse in downtown Miami.

Three years after signing a record-breaking deal with the Marlins, the 27-year-old outfielder is in contract to purchase a five-bedroom unit at the under-construction condominium Aria on the Bay, according to Carlos and Martin Melo of the Miami-based Melo Group, the developer.

The asking price of the unit was \$6.6 million; the developer declined to specify what Mr. Stanton will pay. The unit is a triplex spanning the building's top three stories, with views of Biscayne Bay, Miami Beach and the city skyline, according to Alicia Cervera Lamadrid of Cervera Real Estate, which is handling sales in the building. When completed, the roughly 4,800-square-foot unit will have about 3,000 square feet of outdoor space, including a rooftop terrace containing a private outdoor pool and a summer kitchen.

Ben Moss of Compass, who with colleague Jon Fincher represented Mr. Stanton, said Mr. Stanton was focused on finding a unit with direct water views and a rooftop pool, and wanted a home that would hold its value over the long term and hopefully appreciate. Moreover, Aria on the Bay is an easy commute to Marlins Park in Little Havana. Mr. Stanton said in a statement that he was sold by the property's views and the developer's "attention to detail."



PRIVATE PROPERTIES | CANDACE TAYLOR

British Singer Harry Styles Lists L.A. Home

Pop star Harry Styles is putting his modern Los Angeles home on the market for \$8.495 million. That is significantly more than the British singer paid for the home. He bought it in January of last year for \$6.87 million, public records show.

Mr. Styles spends much of his time in London, and he recently bought a home in Manhattan, said listing agent Justin P. Huchel of Hilton & Hyland, who declined to comment on the star's reasons for selling.

Mr. Huchel said the price increase reflects renovations Mr. Styles made to the house as well as "a very strong market" in Los Angeles. Mr. Styles couldn't be reached for comment.

In the Hollywood Hills, the house has views of the Pacific Ocean and downtown Los Angeles, Mr. Huchel said. Measuring about 4,400 square feet, it has three bedrooms, a gym and a screening room. Large terraces, one of them with a fire pit, overlook the city's skyline. The gated prop-

erty, which sits on roughly a quarter of an acre, also boasts a swimming pool and cabana. Part of the home's appeal is that it is located on a quiet street and vegetation shields the house from prying eyes, Mr. Huchel said. "There's a premium for the privacy," he said.

Mr. Styles, 23, gained fame as a member of the popular boy band One Direction, which is now on hiatus. He recently released a self-titled debut solo album and is slated to begin a solo tour in September.

ONETIME NEW JERSEY HOME OF BASEBALL'S YOGI BERRA ASKS \$3.199 MILLION

The former New Jersey home of the late wisecracking baseball great Yogi Berra is going on the market for \$3.199 million.

The longtime Yankees catcher lived in the Montclair

moved out of the house, and they downsized to another home in Montclair, said Mrs. Cali, adding that she and her husband became friendly with Mr. Berra.

In one of his oft-quoted remarks, Mr. Berra described the house as "nothing but rooms," according to the book "Pride of October: What It Was to Be Young and a Yankee."

After the Calis bought the house, she said, they realized that baseball fans frequently stopped by the house in search of Mr. Berra. "I asked Yogi, would he mind giving me some autographed photos, because they're very disappointed when they open the door and it's not him," Mrs. Cali recalled.

Built in the 1920s, the Tudor-style home has five bed-

rooms and measures about 6,800 square feet, according to listing agent Christine Lane of Halstead Property. The Calis kept many of the original details but expanded the house, enclosing a porch and adding a breakfast room and a turreted dining room. The home sits on 1.37 acres, with a swimming pool and a pool house. Mr. Cali co-founded the real-estate company Cali Associates, which went public in 1994 and later merged with Mack Co. to become Mack-Cali Realty, which owns millions of square feet of commercial property in Jersey City and the vicinity. Mr. Cali died in 2014, and Ms. Cali said she is selling because she's relocating to another home in Montclair now that her children are grown.

▶ See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com

LUXURY REAL ESTATE DESERVES A LUXURY AUCTION®



JUNE 3 | DAYTONA BEACH, FL



Appraised for
\$13.8 Million.
Selling WITHOUT
RESERVE!

3.8 Acres with
325 ft of Frontage
& Boat Dock.
Previews Daily.



800.262.5132
PlatinumLuxuryAuctions.com

Property listed and offered for sale exclusively by Platinum Luxury Auctions, a licensed Florida Real Estate Corporation (CQ1036963) and licensed Auction Business (AB2956). Bid calling by Florida Real Estate Broker Trevor R. Lesnock (BK318083).

COMING SOON: DALLAS, TX & PITTSBURGH, PA

The Story is Just the Start with WSJ+

We've taken what you love to read in the Journal and brought it to life. Activate your complimentary WSJ+ membership today for exclusive offers, events and experiences.

Discover more at wsjplus.com

WSJ+



MANSION

BALANCE SHEET

A Couple Goes Back to School in Madrid

A 1,700-square-foot space that used to hold language classes becomes a flexible one-bedroom

BY J.S. MARCUS

TO CONVERT a defunct language school into a luxurious one-bedroom apartment, Madrid couple Agustín Martínez Gil and Javier Quintanero relied on what could be called "the shutter switcheroo."

The onetime school, tucked away on the second floor of a grand, six-story 19th-century apartment building near Madrid's Royal Palace, had become a 1,700-square-foot empty shell when the couple bought it in July 2015. Its only adornment: five windows' worth of antique, slat-free shutters.

Madrileños typically use these solid wood shutters to seal up their windows from the inside before leaving for vacation. But Mr. Martínez Gil, a 60-year-old interior architect, brought the vintage pine pieces deep into the home, using the shutters to create a paneled room divider that separates the bedroom from the open-plan living and dining area.

Later, he found traditional slatted shutters—typically used by Madrileños outside their windows—to use inside the windows. "With these outdoor shutters, you can play with the light inside," he says.

The adjustable room divider is also playful. The couple open and close the paneled doors depending on whether they want more privacy or a more spacious feel.

The couple paid \$616,600 for the space, then spent about \$538,000 on a yearlong renovation and new furnishings. Their timing was fortunate: Madrid prices bottomed out a matter of months before the couple closed their deal—and have been climbing ever since.

Prices in Madrid have risen more than 15% since early 2015, and in the couple's neighborhood—called Palacio, after the Royal Palace—there are now apartments of similar size to theirs for sale for more than \$1 million.

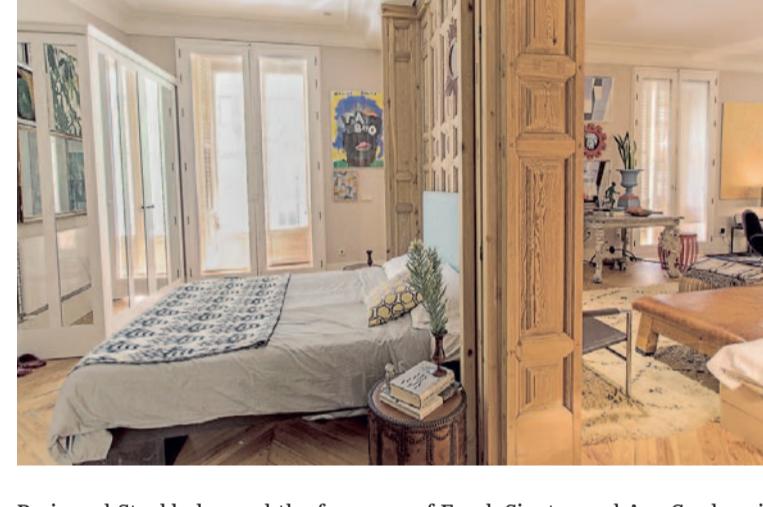
Typically, such 19th-century buildings in Madrid had imposing second-floor units used as offices by lawyers and doctors, who preferred to live on the floors above. The couple's home still has its original high ceilings and parquet floors. The thick walls mean that even with the strong morning sun they can do without air-conditioning. However, they had to add a new heating and ventilation system, at a cost of \$63,900.

Aside from the shutters, the former school space came with a load-bearing wall, a few doorways, a sink and a powder room.

The couple put their kitchen behind the wall near a new dining area. To connect the two spaces,



THE GREAT DIVIDE A room divider made from old shutters separates the living and dining area from the bedroom. A painting of Frank Sinatra and Ava Gardner in Madrid decorates the living room, where a former gym bench upholstered in leather serves as a coffee table.



they removed a door and radically widened its frame. Then they drilled large portholes on either side of the doorway. As a result, the kitchen blends with the dining room, and the symmetrical portholes help brighten the bathroom, which they placed behind the kitchen. Their shower now stands where the school had its lone sink.

The two added a dose of coolness to the rear kitchen and bathroom by replacing a section of what Mr. Martínez Gil calls a "horrible, awful white floor," with new Portuguese ceramic tiles in a black, white and gray check pattern.

Mr. Martínez Gil often travels to

Paris and Stockholm, and the furnishings are pan-European. He updated an 18th-century Spanish antique bench with Italian upholstery, at a total cost of about \$5,600. He also added an imposing wooden bar cabinet in a more traditional Spanish style. The original parquet floors were given a matte finish with Swedish varnish.

In the living room, the couple use a leather bench reclaimed from a Madrid gym as a combination ottoman and coffee table. They also chose the living room to exhibit a Madrid-themed work of art—a painting by American artist William Rand based on a celebrity snapshot

of Frank Sinatra and Ava Gardner in the city's legendary Museo Chicote, a glamorous 20th-century watering hole visited by celebrities and toreros. The painting—a holdover from their former home, a 3,000-square-foot apartment a short walk away—presides over the new home.

The couple built a walk-in closet off the bedroom, but chose to isolate their bathroom on the other side of the apartment.

"This apartment is made for our kind of life," explains Mr. Martínez Gil, whose husband, a stylist, gets up early. The room divider's two doors are kept closed in the morning, so Mr. Quintanero can shower

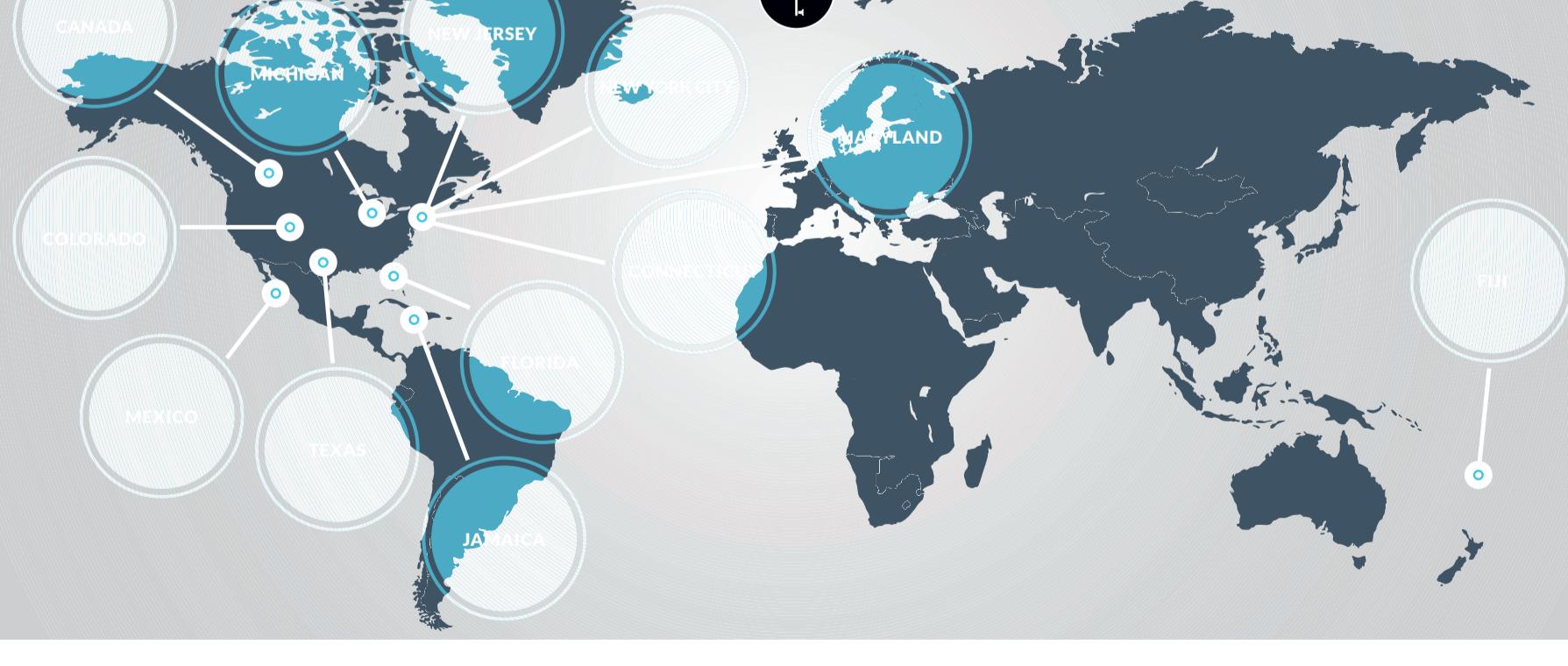
and have breakfast without disturbing Mr. Martínez Gil.

The couple divides their time between Madrid and the Costa del Sol's Marbella, where they spend their summers. They also have a weekend home in a mountain village near Toledo.

The Madrid one-bedroom, which they share with their dogs, Consuelo and Theo, is smaller than their cavernous previous apartment, but the former school seems just right, says Mr. Martínez Gil.

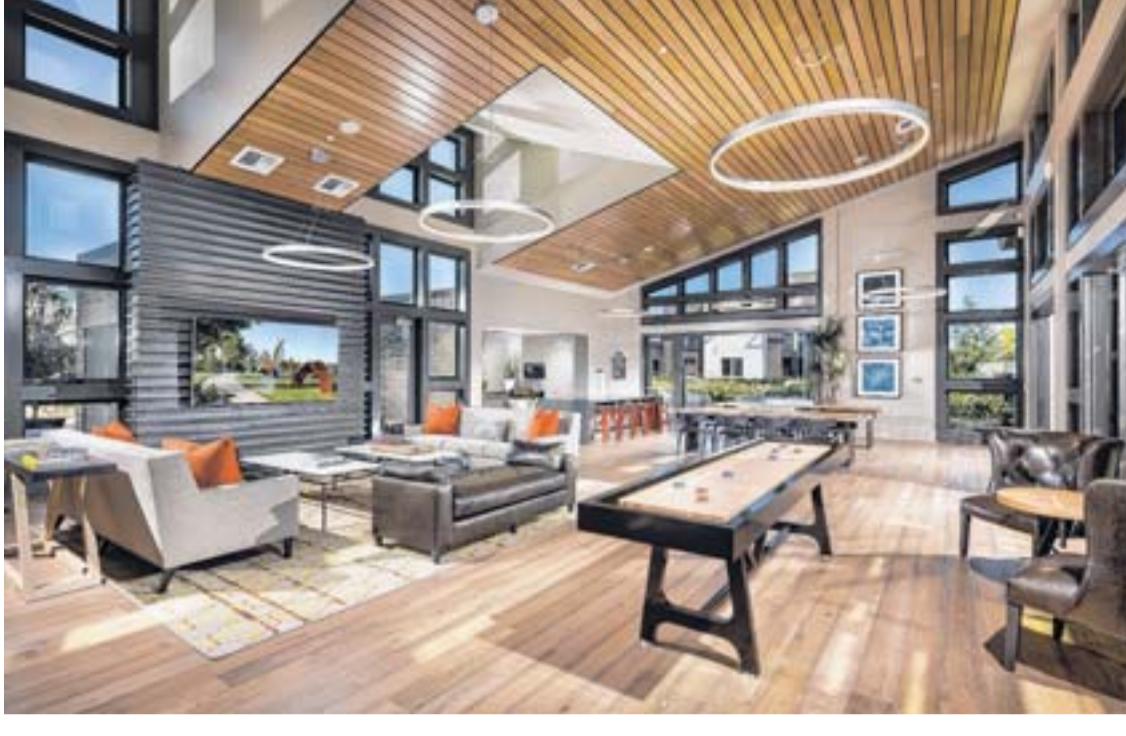
"We are two people and two Chihuahuas," he says. "We have all the space we need to have a comfortable life."

CONCIERGE AUCTIONS



MANSION

CALIFORNIA'S NEWEST HOT SPOT



JUST IN TIME In November, Bryan and Kaycie Yong, below, bought this three-bedroom home, below left, in McKinley Village for \$375,000. 'It was really competitive,' says Ms. Yong, who is expecting her first child in this month. Clubhouse and pool, above; clubhouse interior, left.

Continued from page M1
pull out of a deep housing slump, even as other markets in California surged. Sacramento is finally seeing the kind of downtown resurgence that is been happening in cities across the U.S. over the past 10 to 15 years. And the region is partly benefiting from some spillover as San Francisco and Silicon Valley's tech boom brings skyrocketing prices and a housing shortage, pushing buyers to look further afield.

About an hour-and-a-half drive northeast of the Bay Area, Sacramento remains relatively affordable. The median price a square foot of a Sacramento-area home is \$228, compared with \$531 in the Bay Area.

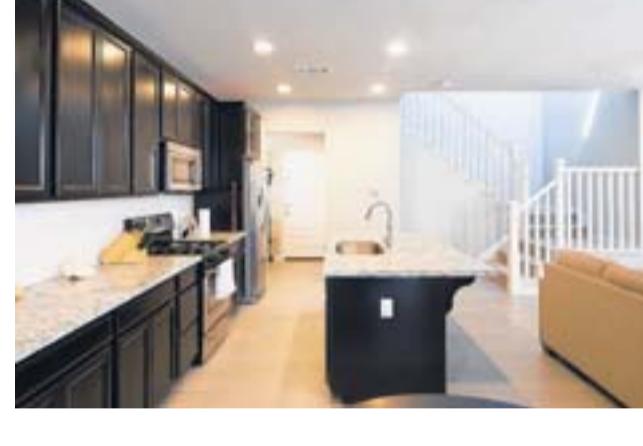
If current trends hold, Javier Vivas, manager of economic research for Realtor.com, predicts that Sacramento prices will rise 7.2% this year over last year, compared with a national average of about 3% over the

same period. San Francisco prices are forecast to rise by 8.4%. (News Corp., owner of The Wall Street Journal, also operates Realtor.com under license from the National Association of Realtors.)

Nick Sadek, a real-estate agent with Sotheby's International Realty, says about a third of his buyers come from the Bay Area. One client, who works for Google and is able to work remotely, sold his small home in Menlo Park for \$4 million and bought a 3,800-square-foot home in a Sacramento suburb for \$1.3 million.

Raleigh and Nan Klein sold their home in Alameda, near Oakland, last year to buy a home in Davis, 20 minutes outside of Sacramento. After 30 years, the empty nesters say they were tired of the Bay Area's congestion and looking for an easier place to live.

"We were looking for somewhere we could walk and bike a lot," says Mr. Klein.



In December, they purchased a two-bedroom home with a den in the Cannery, a new-home community set up around an urban farm that is bikeable to town. Though the couple declined to say what they paid for their homes, similar models start in the \$700,000 range.

Developers are betting big on a revitalization of the city's downtown, which is pocked with seedy areas and long offered little beyond of-

fices and the state capitol building.

A partly vacant Westfield mall has been mostly dismantled to create Downtown Commons, an 11.8-acre pedestrian-friendly residential and commercial plaza. Developed by the NBA's Sacramento Kings and JMA Ventures, it includes offices, shopping and the new Golden 1 Center, the only indoor/outdoor NBA arena that is 100% solar-powered (and boasts an \$8 million Jeff Koons sculpture). Nearby, a local developer is turning a 100-year-old bank building into a 30,000-square-foot upscale food hall. Local developer LDK Ventures is turning an old 140-acre rail yard into a development with a Kaiser hospital, a Major League Soccer stadium, offices and housing.

One of the most ambitious residential projects is the Residences at the Sawyer. Offering city and river views, as well as room service and a concierge, the condominiums are breaking new ground in pricing and amenities. Set on top of a new 250-room Kimpton Hotel, condos also come with VIP access to Golden 1 Center, a private lounge and a pool and terrace overlooking the arena. One-bedrooms start at \$600,000 and three-bedroom

penthouses with over 3,300 square feet go up to just over \$4 million, says director of sales Christopher Miller, of the Agency Development Group. The building, part of Downtown Commons, is expected to be completed in late 2017.

Sacramento "went from one of the worst real-estate markets to one of the best," says Vivek Ranadivé, a Silicon Valley-based founder of two tech companies, Tibco and Teknekron Software Systems, and owner and chairman of the Kings. He has purchased a condo in the Sawyer.

Real-estate agents and developers say the most desirable neighborhoods are in the urban core—a shift from the prior boom cycle around 2005, when suburban areas with gated developments and highly rated public schools were more popular.

Shelly and Paul Zehnder recently sold their suburban home to move downtown, where they're in contract to purchase a 1,200-square-foot condo at the Residences at the Sawyer. With all three of their children now out of the house, the couple wants to be closer to the action. As Kings season ticket holders, they liked that they could see the arena from their two-bedroom unit.

Kaycie and Bryan Yong,

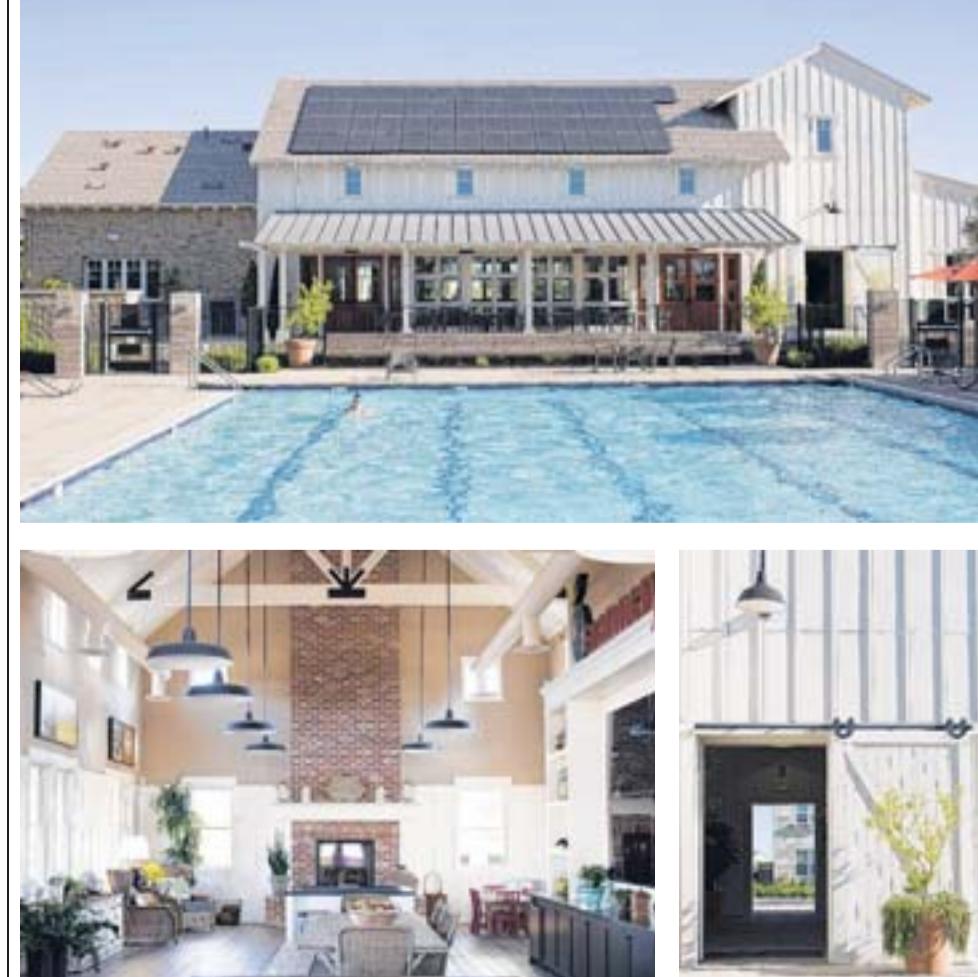
who both work for the state of California, wanted to be close to downtown to shorten their commutes. With a budget of \$300,000, they found that listings were often selling for \$50,000 over asking. "It was really competitive," says Ms. Yong, who is expecting her first child in this month.

In November they purchased a new-construction three-bedroom home for \$375,000 in McKinley Village, which is a short drive from downtown.

Local real-estate agents warn that Sacramento's pace of growth may not be sustainable. Though the city of 485,000 has benefited from expansions in the medical and health-sciences industries, unemployment is 4.5% in Sacramento County, relatively high compared with the national average of 4.1% and San Francisco County's 2.7%. Mr. Vivas of Realtor.com says the housing market needs more support from the local economy, instead of just demand from other areas.

The frenzied market can be a challenge. Mark and Andrea Goldsmith listed their home just outside of Sacramento in April for \$1 million and got an offer six days later. The buyers were a Bay Area couple who offered to pay all cash. When it came time for the Goldsmiths to buy a house closer to the city, they found themselves in bidding wars. In the 20 months they spent looking, they say they saw prices in their target neighborhoods go up by about 20%.

They're now in contract to pay \$862,000 for a three-bedroom, 1,700-square-foot house that was listed for \$769,000. "I think it was a risky time to buy," says Ms. Goldsmith, a former home appraiser. "But we plan to live there for 10 or 20 years so I'm not worried about it."



IT'S NOT JUST A TIMEPIECE IT'S A PIECE OF TIME

Made with **1923 Yankee Stadium™ Wooden Seats**

BY **ORIGINAL GRAIN**



THE NEW YORK YANKEES™ WATCH
Limited Edition, Numbered 1 to 2008

YANKEES™ PINSTRIPE FACE DETAIL • SWISS AUTOMATIC • INLAID YANKEE STADIUM™ WOOD

Exclusively Available at **ORIGINALGRAIN.COM**

ADVERTISEMENT



MIDDLETOWN, RHODE ISLAND

Stunning 3,750 sf custom residence in the idyllic estate area of Indian Avenue. Features include radiant heat, yellow-cedar shingle roof, A Series Andersen windows, outdoor shower, heated garage. Modern cottage kitchen, Great Room w/ floor-to-ceiling, double-sided fireplace, Sakonnet water views, Bluestone terrace and plenty of space for pool. Enjoy nearby Third Beach and Sachuest Point, world-class golf, sailing and Newport just minutes away.

\$3,395,000

GustaveWhite.com

Gustave White Sotheby's International Realty

phone: 401.849.3000

KIAWAH ISLAND, SOUTH CAROLINA

211 Sand Fiddler Court is a beautifully renovated, private residence within walking distance to Kiawah's 10-mile beach and The Beach Club. This home features a two-story great room that includes a fireplace, open staircase, and towering windows. Sitting at nearly 4600 sq ft with 6 beds and 5 baths, your family and guests will be offered every comfort.

\$3,995,000

kiawahisland.com/real-estate

Kiawah Island Real Estate

phone: 866.312.1780

GREAT LIFESTYLE IN NAPLES, FLORIDA

Live the lifestyle of your dreams in Naples, Florida! Gorgeous single-family residences up to 4,879 a/c sq. ft. Amazing six-acre recreation area with 13,000 sq. ft. clubhouse, resort pool, fitness, tennis, indoor sports court and much more - all included in low HOA fees. This is an incredible opportunity in a great Naples, Florida location - call today!

From the \$400's to the \$700's

www.glhomes.com

GL HOMES

phone: 800.281.9239



BOYNTON BEACH, FLORIDA

Simply the Best 55+ Lifestyle in Florida - Valencia Bay goes above and beyond with luxury conveniences that rival the finest resorts. In the heart of the community is an opulent clubhouse featuring a fully-equipped fitness center, onsite restaurant, grand ballroom, resort-style pools, Har-Tru tennis courts, an on-site Lifestyle Director and more - right in your own neighborhood.

From the \$500's to \$800's glhomes.com/Valencia-Bay

GL Homes

phone: 800.432.7017

NAPLES, FLORIDA

New Luxury Single-Family, Villa and Coach Homes at The Isles of Collier Preserve! Over half the 2,400 acres are dedicated to lakes, nature preserves and natural habitat. The Isles Club is now open and features a clubhouse, fitness center, resort-style pool, lap pool, yoga lawn, tennis and pickleball courts, kayak launch and 8 miles of scenic kayak, hiking and biking trails! 5 Mins. from Downtown Naples and the Gulf beaches.

From the mid \$300s to over \$1 million mintofoia.com

Minto Communities

phone: 888.483.8708

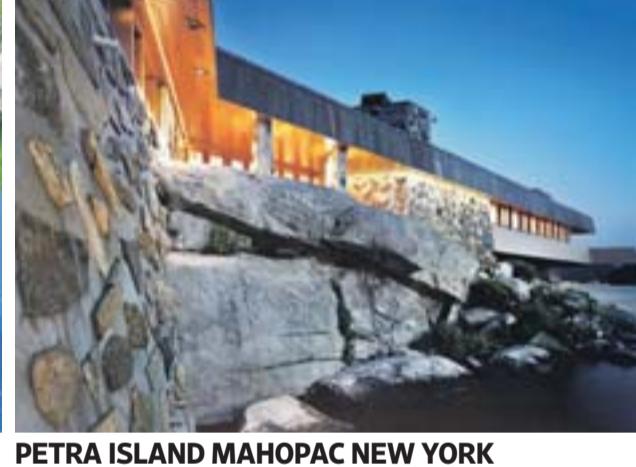
DOWNTOWN ST. PETERSBURG FLORIDA

Live a fabulous Urban Lifestyle in vibrant downtown St. Petersburg. 3 blocks from the water, artfully designed townhomes now under construction on a private, gated lane. Totaling 2,335 sq. ft., 3 bedrooms, 3 1/2 baths, 2 car garage, private elevator, and amazing rooftop terrace. Low HOA fees. Walking distance to world-class restaurants, museums, shopping, parks, marina, and Tampa Bay.

From the \$800's to \$900's www.RegentLane.com

NJR Property Investments LLC

phone: 727.515.5556 email: natalie@njrdevelopment.com



LAKE MINNETONKA, MINNESOTA

A hidden gem on historic wooded site 25 minutes from dwntn Minneapolis. Stunning Sarah Suzanka design. 4436 sq ft; 3 beds; 4 baths; 2 car garage. Striking westerly views from all rooms across end of Carson Bay, Yacht Club + lower lake. Access to entire lake. 191 ft of lakeshore + dock. Exquisite sleeping porches. Mature gardens. Diverse wildlife.

\$3,295,000 <http://dehaventeam.com/3980WaldenShores/>

Coldwell Banker Burnet

Ellen DeHaven

phone: 952.476.3646 email: edehaven@cbburnet.com

ORLANDO, FLORIDA

Twin Lakes is now selling homes from the \$200s in the Orlando Area. Here residents will enjoy a magnificent 20,000 sq. ft. clubhouse with amenities that are usually reserved for fine resorts. The outstanding views and location are only surpassed by our cutting edge home styles and luxurious included features that are an upgrade to other builders. Twin Lakes is a 55+ Active Lifestyle Community.

From the \$200s TwinLakesFL.com

Twin Lakes

phone: 407.988.3222

PETRA ISLAND MAHOPAC NEW YORK

11 ACRE PRIVATE ISLAND with one of a kind Frank Lloyd Wright-designed house and guest cottage. 50 mi. north of NYC, it's like owning a piece of Central park without the crowd. This heart-shaped island boasts a 5000 sq ft main house. A 75 ft cantilever deck is the largest cantilever Wright ever designed. Visit "Wright's Favorite House" at www.petraisland.net to begin your experience.

14,920,000.

www.petraisland.net

JOE MASSARO

phone: 914.403.3762 email: info@petraisland.net



JOHN'S ISLAND - VERO BEACH, FLORIDA

Located where the "tropics begin" sits one of the most renowned seaside communities on the east coast with 3 miles of pristine beaches, 3 championship golf courses, 17 Har-Tru tennis courts, squash & Beach Club. This luxurious 5BR retreat showcases 14,574± GSF, ocean views, summer kitchen, 1st floor master, double-height living room, pool & elevator.

\$12,500,000 JohnsIslandRealEstate.com

John's Island Real Estate Company

phone: 772.231.0900 e: wj@johnsislandrealestate.com

WHITETAIL CLUB - MCCALL, IDAHO

Whitetail Club's Clearwater Cabin. An elegant, two-story home with 4 bedrooms and 4 1/2 bathrooms over 3,100+ sq. ft. Includes 3-car garage with ample space for the toys! The lakefront clubhouse, the single-track mountain bike trail system, Nordic ski trails, indoor tennis and fitness center, and the championship golf course are all outside your doorstep.

\$995,000 WhitetailClub.com

Whitetail Club Realty, LLC.

Joe Carter

phone: 877.634.1725 email: jcarter@whitetailclub.com

AUSTIN, TEXAS

Located only 25 minutes from downtown Austin you will find an intimate selection of 81 residences known as The Peninsula, the crown jewel of Lake Travis. The Peninsula is a private, gated community boasting over three-miles of lake shoreline, a proposed day dock, resort-style amenities, and access to Austin's most prestigious Yacht Club & Marina.

Luxury Homes from \$1.65M PeninsulaLakeTravis.com

The Peninsula at Rough Hollow

Loren Dickey

phone: 512.456.3756 email: Loren@RoughHollowLakeway.com

To Advertise Call: 800-366-3975



GREENWICH, CT | \$19,900,000
WEB ID: QDFB4
Belle Haven 1891 English Manor on 2.74
spectacular acres with pool, English gardens.
Houlihan Lawrence
Kristy de la Sierra — 203.526.6007

NORTH PALM BEACH, FL | \$12,995,000
WEB ID: QTTQ4
Unmatched views, deep water dockage,
120' frontage. Once in a lifetime opportunity.
Lost Tree Realty
Peter Erdmann — 561.329.2383

WINNETKA, IL | \$12,900,000
WEB ID: WKT4
Amazing estate set on almost three acres
of incredible sweeping grounds.
@properties
Jena Radney — 312.925.9899

OSTERVILLE, CAPE COD, MA | \$9,500,000
WEB ID: OTWT4
Exceptional Oyster Harbors waterfront estate
with inground pool and private dock.
Robert Paul Properties
Robert Kinlin — 508.648.2739

NAPLES, FL | \$8,480,000
WEB ID: SUHB4
Private gate on oversized lot. Southwest Bay
views. Elaborate living inside and out.
John R. Wood Properties
Blaze Zdravev — 239.601.7910



GREENWICH, CT | \$6,995,000
WEB ID: PODY4
Completely renovated on over three acres.
Guest house, heated pool and tennis court.
Houlihan Lawrence
Amanda Miller — 203.912.9233

RIVERSIDE, CT | \$6,750,000
WEB ID: GTAU4
5-bedroom waterfront home on 2 acres with
240-foot shoreline. Expansion possible.
Houlihan Lawrence
Ellen Mosher — 203.705.9680

W. YARMOUTH, CAPE COD, MA | \$5,500,000
WEB ID: IVYB4
Extraordinary oceanfront overlooking
Nantucket Sound with private sandy beach.
Robert Paul Properties
Robert Kinlin — 508.648.2739

ATLANTA, GA | \$4,400,000
WEB ID: PAOT4
Absolute perfection in private cul-de-sac,
complete renovation, retreat like setting.
Beacham & Company, REALTORS
Glennis C Beacham — 404.261.9036

ATLANTA, GA | \$4,250,000
WEB ID: LQE4
Gorgeous Estate home in a park like setting
with flawless design. Pool & tennis.
Beacham & Company, REALTORS
Glennis C Beacham — 404.261.9036



WOODS HOLE, CAPE COD, MA | \$3,900,000
WEB ID: YHGZ4
Spectacular property with panoramic water
views, beach front lot and private dock.
Robert Paul Properties
Robert Kinlin — 508.648.2739

CHARLESTON, SC | \$3,895,000
WEB ID: YEUZ4
Quiet, private, SoB lane, meticulous renovation,
elevator, garage, 5 beds/4½ baths.
Carriage Properties
Charles Sullivan — 843.367.8807

WOODS HOLE, CAPE COD, MA | \$3,500,000
WEB ID: YMWU4
One-of-a-kind estate property featuring end-
less water views & a private sandy beach.
Robert Paul Properties
Robert Kinlin — 508.648.2739

GREENWICH, CT | \$3,295,000
WEB ID: WROQ4
Exquisite 5-bedroom, 6-bath Colonial.
6,000+ square feet of sun-filled interiors.
Houlihan Lawrence
Ellen Mosher — 203.705.9680

ATLANTA, GA | \$3,210,000
WEB ID: PFPV4
Lushly landscaped, gated 4.5 acre hilltop retreat
w/ level yard, four season haven.
Beacham & Company, REALTORS
Glennis C Beacham — 404.261.9036



RIVERSIDE, CT | \$2,995,000
WEB ID: KYDJ4
Stylish, elegant recently renovated five
bedroom home. Walk to park, schools, train.
Houlihan Lawrence
Ellen Mosher — 203.705.9680

NORTH PALM BEACH, FL | \$2,985,000
WEB ID: YHQZ4
Fully renovated 4BR home in prestigious
Lost Tree Village. Golf, tennis, ocean.
Lost Tree Realty
Susan Callahan — 561.313.0413

ATLANTA, GA | \$2,799,999
WEB ID: GASZ4
Curb appeal galore for this lovely home
sited on wonderful flat lot in Tuxedo Park.
Beacham & Company, REALTORS
Glennis C Beacham — 404.261.9036

GREENWICH, CT | \$2,695,000
WEB ID: KTIB4
2009 European-style five-bedroom custom
manor on private pond with heated pool/spa.
Houlihan Lawrence
Joanne Mancuso — 203.667.3887

BREWSTER, CAPE COD, MA | \$2,495,000
WEB ID: PMIV4
Stunning waterfront compound with breathtak-
ing water views on 25 private acres.
Robert Paul Properties
Robert Kinlin — 508.648.2739

luxuryportfolio.com

LUXURY PORTFOLIO
INTERNATIONAL®



CHATHAM, CAPE COD, MA | \$2,395,000
WEB ID: YDXV4
Home of your dreams. Finely built, new con-
struction, open plan. Near town & beaches.
Robert Paul Properties
Team Guthrie-Mabile — 508.776.4645

CHARLESTON, SC | \$2,195,000
WEB ID: LOPQ4
Well located, South of Broad, 4 bed,
3½ baths, separate guest suite, parking.
Carriage Properties
Charles Sullivan — 843.367.8807

CHARLESTON, SC | \$1,995,000
WEB ID: ZLA4
Turnkey 3bed/2½ bath, 2,754 sq ft home.
Walled garden, double piazzas, parking for 5.
Carriage Properties
Adam Edwards — 843.810.1238

CHATHAM, CAPE COD, MA | \$1,949,000
WEB ID: YORZ4
Dream home, new construction. Walking
distance to beaches, town & restaurants.
Robert Paul Properties
Team Guthrie-Mobile — 508.246.3236

KIAWAH ISLAND, SC | \$1,900,000
WEB ID: KLZQ4
Private, 3.74 acre home-site with extended
marsh views.
Carriage Properties
Kay Halsey — 843.729.4376



EAST ISLIP, NY | \$1,895,000
WEB ID: HXJV4
Located in 'the Moorings', with 6500sf of
living space and views of Great South Bay.
Coach Real Estate Associates, Inc.
Geoffrey Matherson — 631.463.9000

JAMESTOWN, RI | \$1,695,000
WEB ID: BYPQ4
Exquisite contemporary in the heart of
West Ferry offering serene water views.
Residential Properties Ltd.
Kira Greene — 401.339.5621

ST PETERSBURG, FL | \$1,575,000
WEB ID: NUWB4
Innovative design & spectacular views from
this exquisite penthouse, an urban oasis.
Smith & Associates Real Estate
Isabel Caruso — 727.772.3997

NAPLES, FL | \$1,425,000
WEB ID: WJT4
Ritz Carlton Golf Resort at Tiburon. Private
enclave with golf course views.
John R. Wood Properties
Sherry Batrus — 917.612.1338

Follow us on:



LUXURY HOMES FROM
Leading
REAL ESTATE COMPANIES
IN THE WORLD

MANSION

RELATIVE VALUES

HOUSES OF WORSHIP CONVERTED TO HOMES

Three buildings on the East and West coasts that were built as churches have been transformed into residential and mixed-use spaces



\$3.25 million

Old Westbury, N.Y.

Five bedrooms, four bathrooms, one half-bath

This chapel, now a 5,861-square-foot home, is part of the former Edwin Denison Morgan III estate, designed between 1890 and 1900 by McKim, Mead & White. Stained-glass windows by John La Farge and a marble fireplace decorate the living room. Updates include a putting green, pool, gym and wine cellar.

Agent: Mollie Grossman, Douglas Elliman



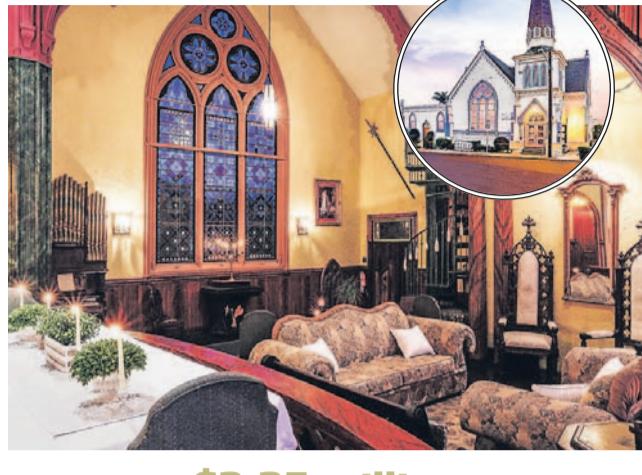
\$3.9 million

Boston, Mass.

Four bedrooms, four bathrooms, one half-bath

This 4,000-square-foot single-family home is the sole residential unit created from the 210-year-old Charles Street Meeting House, which also has office space. The naves, arches and balconies of the church remain in the contemporary renovation. A private elevator goes to the original cupola, offering views of the city skyline.

Agent: Michael Carucci, Gibson Sotheby's International Realty



\$2.25 million

Ventura, Calif.

11 bedrooms, seven bathrooms

Zoned for residential and commercial use, this 5,307-square foot home in a Victorian Gothic church currently serves as a bed-and-breakfast. The former sanctuary, with cathedral ceilings, stained glass and carved wood, is now the living/dining area.

Agents: Emilia Marie Ramirez and Justin Carlisle, Berkshire Hathaway HomeServices

—Emily Nonko

ADVERTISEMENT

Distinctive Properties & Estates

To advertise: 800-366-3975 or WSJ.com/classifieds

AUCTIONS



SATURDAY, JUNE 17 AT 11AM ET

- Steeple Chase Farm -
429 Taconic Road, Greenwich, Connecticut

DeCaro Team On-Site • 1-4 PM Daily by Appointment
Call 801.597.6940 or 435.640.7181

DECARO AUCTIONS
INTERNATIONAL

Video Tour & Details at DeCaroAuctions.com

2% Broker Cooperation

1.800.332.3767

AUCTIONS

U.S. Department of Housing and Urban Development Office of Housing Seller

HUD-Held Vacant Loan Sale 2017-2 ("HVLS 2017-2")
Bid Date: June 21st, 2017

Approximately: \$170 million in loan balance, 900 loans
First Lien, non-recourse mortgages,
secured by vacant residential properties

Verdi Consulting, Inc., Transaction Specialist
For further information: www.verdisassetssales.com; 1-844-709-0763;
HUDsales@VerdiAssetSales.com

Interested participants must execute a Qualification Statement
and Confidentiality Agreement.

This is a sale of due and payable notes.

This announcement is not an offer to sell or a solicitation of an offer to buy mortgage loans. Information concerning the mortgage loan will be furnished only to, and bids will be accepted only from, bidders who certify that they have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks and who certify that they have the resources to bear the risk of a purchase of the mortgage loans.

VIRGINIA

PRIVATE LAKE ESTATE



SMITH MOUNTAIN LAKE

Spectacular, Custom Built 4BR Lake Home (6,895 sq. ft.) situated on a scenic and spacious (1.74 Ac +/-) gentle point lot with over 370' WF. Professionally landscaped. Breathtaking wide water and mountain views with both sunrise and sunsets. Open floor plan. Quality upgrades throughout. Additional Carriage House / Detached Garage (1,368 sq ft).

OFFERED AT \$1,450,000

Contact Steve Chimello
540-312-1249 • SteveChim@aol.com
www.SteveChim.com

LONG & FOSTER REALTORS
Your Housing Opportunity

at the Lake

CALIFORNIA

The GRUBB Co.

132 Alpine Terrace
OAKLAND, CALIFORNIA

Coming Soon. Located on a quiet cul-de-sac in Upper Rockridge with magnificent design, custom finishes and sweeping panoramas of the Bay! 4BR/3.5BA plus separate studio space with full bath. Study, family room & level gardens. Breathtaking in every way! Offered at \$4,500,000

Bebe McRae
510.652.2133/415
bmrae@grubbc.com

FLORIDA

Palm Beach

1485 SOUTH OCEAN BOULEVARD

One of a kind Venetian palazzo built in 2000. Jeffrey W. Smith designed, over two acres, with 300 +/- feet of direct Intracoastal.

Exclusive Offering
Christian Angle Real Estate
www.anglerealestate.com

OTHER PALM BEACH REAL ESTATE OPPORTUNITIES AVAILABLE

Christian J Angle at 561-629-3015

Though information is believed to be correct, offerings are subject to errors, omissions, prior sale and withdrawal without notice.

FLORIDA

N. HUTCHINSON ISLAND, FL

PHASE 1 CONSTRUCTION STARTING SOON!

New Luxury Oceanfront Residences starting at \$1,220,000

Ocean Palms is a boutique oceanfront enclave of 15 uniquely designed & appointed luxury residences! Limitless ocean views from over 58-ft of ocean frontage & 42-ft balconies! Enjoy a luxurious pool, spa, and exercise room. Surrounded by Queens Island Park & Preserve. Construction starts soon!

Michael & Kimberly Thorpe
Broker Owners
772.532.0449 | thorpe@tcsir.com

Treasure Coast | Sotheby's
INTERNATIONAL REALTY

KENTUCKY

WATER FRONT PROPERTY IN WESTERN SHORES SUB DIVISION.

Point lot on beautiful Kentucky Lake. Deep water year round with approved permit to build a private dock. (~1.75 acres in

Lookout Bay on Pier Lane, Lot #26. Listing

price \$499K). Western Shores has a

Community club house with pool, two (2)

community covered boat docks and boat

launch. Video of Western shores with

aerial view of lot:

<https://youtu.be/HL5IZBooYDc>

MASSACHUSETTS

27 Radcliffe Road

Wellesley, MA \$2,650,000

Kathy Kelley
(781) 710-1035

BERKSHIRE HATHAWAY | Town and Country Real Estate

HomesServices

NEW YORK

Idiwilde Inn, 21 room mansion in NY's Finger Lakes Region. 2.5 acre park-like setting w/ beautiful gardens. Now operating as a bed & breakfast. Price includes property, business & furnishings. Financials available. \$1,375,000

Contact Graydon Locey • RealtyUSA.com
607-936-4609 • Cell: 607-425-6888

RdAndersonvilleTN37705

NEW HAMPSHIRE

Why New Hampshire?

Besides the beauty of the lakes and mountains...

No Sales Tax - No Inheritance Tax
No Income Tax - No Capital Gains Tax

Winipesaukee Squam and NH's Lakes Region

Featuring Waterfront Homes and Condos

www.SueBradley.com

SusanBradley@metrocast.net

WOLFEBORO ESTATE

7 Acres, 600 feet Waterfront
6 Bedrooms + a 5 Room, 2 Bedroom Suite
3 Bay Boathouse, Detached Barn
Privacy and Security
\$1,900,000

GILFORD LAKE HOME

1.2 Acres, 300 feet Waterfront
6 Bedrooms, Sandy Beach
Governor's Island Club
\$5,800,000

Susan Bradley, GRI, CRS, ABR
Coldwell Banker RB
603.524.1511 • 603.524.2255

NORTH CAROLINA

EUROPEAN MANOR HOUSE

Exquisite Georgian home on 4.5 acre estate in a historic village, only 60 miles from Charlotte or Asheville. Over 7000 SF of highest quality 20th Century construction restored to its original elegance.

1031 exchange/lease-back avail

704-840-4004

http://www.404louisave.com

RHODE ISLAND

At Wickford Harbor, RI

RANDALL REALTORS

Exquisite waterfront home with magnificent views, private beach and mooring.
\$2,890,000

Lauraine Holden 401.294.4000

LAND FOR SALE

200 Acres - 2 Farms

RETIRING.

4 mi to Narragansett Bay, 4 mi to the "T" at Whifford Junction Major Road Frontage. Estate or Working Farm.

Serious Development Potential. Bldgs - Irrigation - Greenhouses

Call for info packet and pricing details on each parcel.

Contact Kathy: 401.294.9825

TENNESSEE

Custom built rancher detailed craftsmanship approx 400 ft water front. World class fly fishing. Kitchen includes stainless appliances and granite tops. Great room displays fireplace and cathedral tongue & groove ceiling. Stunning library with sliding ladder.

Screened porch overlooking the Clinch river.

\$775,000

http://www.flexmls.com/share/rHMU/255RiverRdAndersonvilleTN37705

Kenton Young, Broker, ABR, CRS, GRI

Realty Executives Associates | 865 482-3232

A VIEW FROM THE TOP

LOVERS LANE 214.350.0400	
UPTOWN 214.353.2500	
LAKWOOD 214.351.7100	
RANCH AND LAND EAST 214.353.6600	
SOUTHLAKE 817.801.3030	
CULTURAL DISTRICT 817.731.8466	
BALLPARK 817.235.4535	
RANCH AND LAND WEST 817.731.8466	
MIRA VISTA 817.294.6634	
THE NORTH 972.202.5900	

Briggs Freeman Sotheby's International Realty

briggsfreeman.com

Real Estate Trends



Properly Saluting the Selfless

For several years, I have had the pleasure of publishing this column on the Friday prior to the observance of Memorial Day.

I have written about the day's origins — it was originally known as Decoration Day, for the flowers that would be put on graves of soldiers who died at war — created as a concerted attempt to salve the bitterly deep wounds that divided the nation in the years after the Civil War.

I have also mentioned the fact that Memorial Day wasn't declared a federal holiday until 1971, a politically tumultuous time in the world.

It's important for Americans to be aware of such history.

However, what is even more important is how we observe Memorial Day. It is a day to remember those who died while serving in the armed forces. It may only last 24 hours, but our remembrance and respect should last a lifetime.

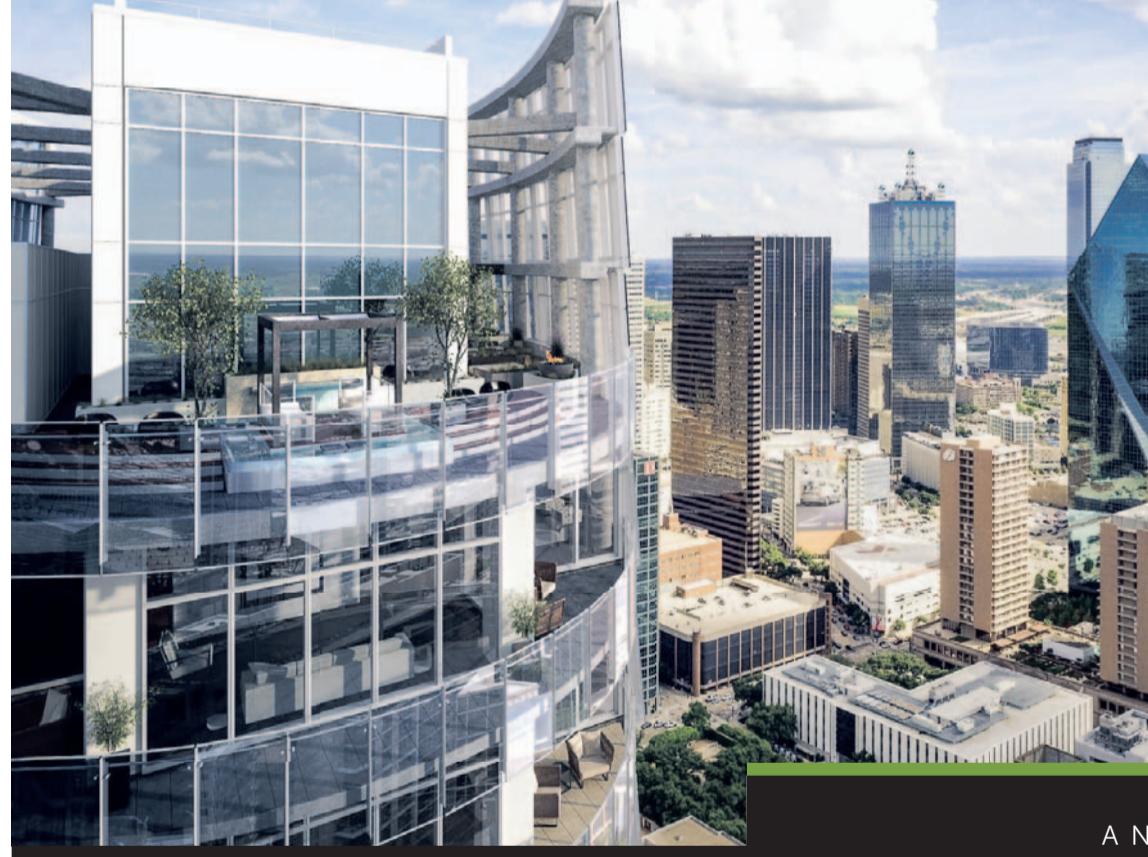
Those who are gone make me think of those who are here: America's dedicated public servants. Our first responders. The intrepid men and women whose jobs — military, law

enforcement, fire rescue — dictate that they run into danger rather than away from it, as most of us do. These are the fearless individuals who put their lives on the line to serve utter strangers, such as you and me.

It's a rare breed, these selfless souls. "Just part of the job," a young Dallas firefighter told me recently. I suspect that's true. However, without him and his courageous colleagues, America would be a much different country.

If you take Monday off to celebrate with brisket, baseball or the sound of engines roaring at the Indianapolis 500, please pause and thank the real heroes of the day — the ones who paid the highest price while serving this country — and the brave professionals who are with us, serving selflessly every day. Our business may be selling homes, but the peace of mind found within them cannot be bought.


Robbie Briggs, President and CEO
Briggs Freeman Sotheby's International Realty
rbriggs@briggsfreeman.com



PENTHOUSE

42

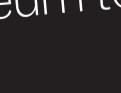
A N E D I T I O N O F O N E

Atop Museum Tower in the thriving epicenter of Dallas, Penthouse 42 is a truly one-of-a-kind skybound estate open to a design vision of one's choosing.

In acquiring this highest residence in Dallas, one takes ownership of the crown jewel of Museum Tower. An already iconic form on the Dallas skyline, this stroke of architectural artistry from celebrated architect, Scott Johnson, is revered for its fluid design aesthetic, its exceptional service culture, its welcoming community of cultured urbanites, and its commanding 360-degree panoramas over one of our nation's most vibrant international cities.

The Penthouse 42 offering is a blank canvas in which to create your personal dream home. It will be conveyed as shell space that includes the full 42nd floor of Museum Tower along with up to 5,600 SF of developable roof terrace. Priced at \$16.5 million.

An original work, curated for only one, is PENTHOUSE 42.

 museum tower

Briggs | Sotheby's
INTERNATIONAL REALTY

To schedule a private showing, call (214) 347-8844 or email us.

Faisal Halum fhalum@briggsfreeman.com Pogir pogir@briggsfreeman.com

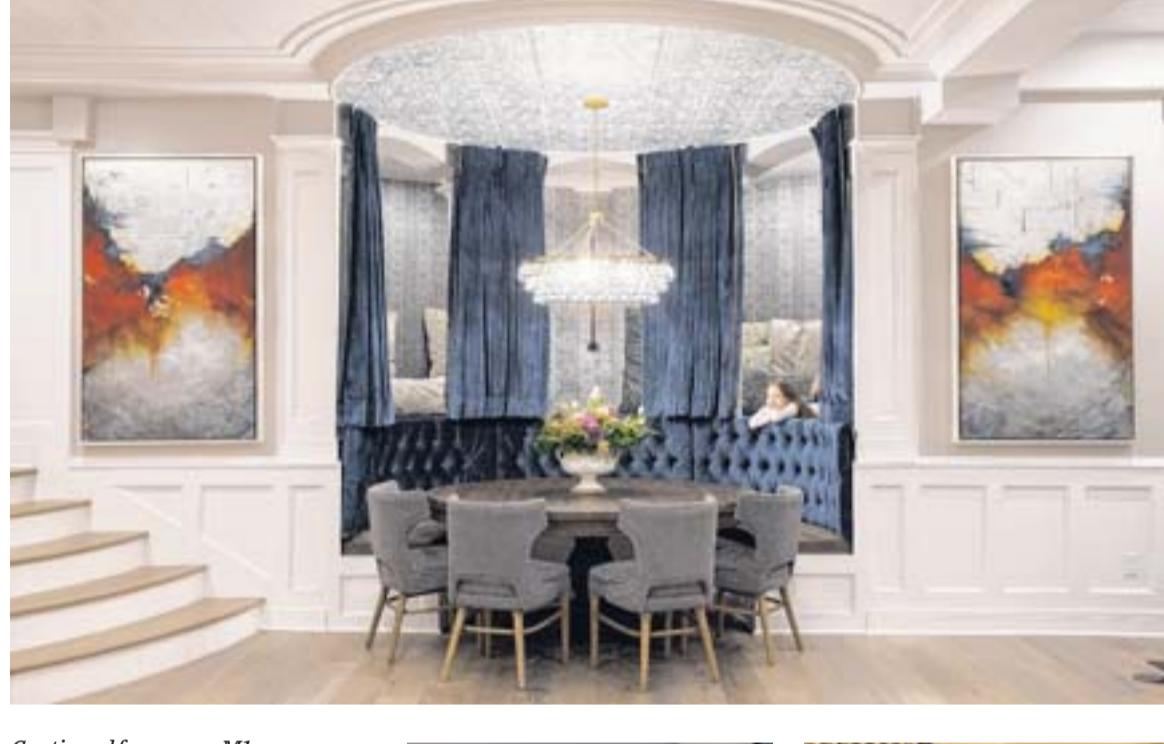
The key image is a rendering developed to approximate an impression of how the human eye will perceive the Penthouse at Museum Tower and its surroundings. Museum Tower, LP is not responsible for any error or omission in the interpretation of these materials. Noted square footage is approximate. THE PENTHOUSE WILL BE SOLD IN SHELL CONDITION AND NOT IN THE FINISHED OUT STATE AS SHOWN. Depictions of the finish out of the penthouse unit and rooftop area are exemplar in nature and do not constitute a representation or warranty of permissible finish out. The finish out will be at the sole cost of purchaser and all plans for such finish out are subject to the approval of the Condominium Association. Such approval will require the delivery of various items as requested by the Association, including, but not limited to, detailed plans and specifications, noise attenuation studies, core/slab studies, and wind studies. We are in compliance with Title VIII of the Civil Rights Act of 1968. We have not, and will not, either directly or indirectly, discriminate against you or any other prospective purchaser on the basis of race, color, religion, sex, national origin, familial status or disability. This material does not constitute an offer to sell nor a solicitation to buy in any state where registration is required if such registration requirements have not been filed. Briggs Freeman Sotheby's International Realty and the Sotheby's International Realty logo are registered (and unregistered) service marks used with permission. Briggs Freeman Sotheby's International Realty and the Sotheby's International Realty are both independently owned and operated.



MANSION



13,000 SQUARE FEET OF CHILD'S PLAY



ROOM TO GROW The back of the home has walls of windows, top, where Mrs. Baumgarten walks with Tigger beside the pool. Left, behind a large table in the lower level is a sleepover room with privacy curtains, a custom-cut mattress and electrical outlets for gadgets. Above, Dr. and Mrs. Baumgarten with their children, Eleanor, Champ, Eileen and Max in a sitting room.



FUN AND GAMES In the loft of Mrs. Keane's home, the children have custom bunk beds with peek-a-boo windows, above. Clockwise from right, the main home's living room, a skee-ball game and a performance stage.



DANA DANEWOOD FOR THE WALL STREET JOURNAL (7)

garten said. "Also, I like discipline."

To that end, the children take Mandarin and Spanish lessons from two international students who also live at the home. Math and music practice are a daily routine.

Building a fun house is serious work. The 4,000-square-foot basement was jacked up to raise the

ceiling height from 8 feet to 12 feet, said Troy Prosa of TAP Architecture, based in Minneapolis.

The family lived for a year with a large hole blown out of the lower level, where tons of dirt had to be excavated.

Mr. Prosa also designed the basement's musical stage, which has professional lighting and

sound. Nearby he created a sleepover room with privacy curtains, lots of plugs for electronics, and a custom-cut Tempur-Pedic mattress on the floor that can sleep eight. The custom-built curly slide gets more use than the stairs.

With four children, a grandmother, two visiting language tutors and two dogs, Spanky and

Tigger, the family uses all seven bedrooms and 11 bathrooms. Including the guesthouse and pool house, there are four kitchens and a home office that Mrs. Baumgarten shares with the children during study time.

"We'll never get our money back for this, but it is so worth it," she said. "I'm never selling."

Extracurriculars are a big part of the couple's parenting philosophy. "I never wanted my kids to say they hate [a subject], because they're not good at it," Mrs. Baum-