

THE WALL STREET JOURNAL.

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What's News

Business & Finance

IBM is reversing decades-long policies as a champion of the work-from-home concept and calling employees back to the office. **A1**

◆ The U.S. is looking into Russia's growing leverage over Citgo amid concern the Kremlin is seeking to use energy as a political weapon. **B1**

◆ Vistra has made a take-over approach to Dynegy, a tie-up that would create one of the nation's largest independent power producers. **B1**

◆ The FCC approved a plan to begin rolling back Obama-era net-neutrality rules, reopening a battle over internet regulation. **B5**

◆ Hedge-fund manager Cooperman and his firm Omega agreed to pay \$4.9 million to settle SEC insider-trading allegations. **B10**

◆ The administration isn't looking to break up big banks, Treasury Secretary Mnuchin told a Senate committee. **B10**

◆ U.S. stocks rose, bouncing back from their worst session of the year. The Dow gained 56.09 points to 20663.02. **B1**

◆ Italy put Alitalia up for sale after months of fruitless talks with unions and the airline's shareholders. **B3**

◆ Wal-Mart posted stronger quarterly sales, even as many rivals struggle to compete with online retailers. **B6**

◆ Alibaba's revenue jumped 60% and quarterly net nearly doubled, driven by consumer spending in China. **B4**

◆ Several auto makers agreed to pay over \$550 million to resolve claims tied to Takata air bags. **B6**

World-Wide

◆ Trump called an investigation of his campaign's possible ties to Russia a "witch hunt," but recent moves suggest that a federal criminal probe is expanding. **A1, A5**

◆ Trump will offer a plan to balance the federal budget with cuts to safety-net programs combined with a tax and regulatory overhaul. **A1**

◆ The administration took the first step toward renegotiating Nafta, setting up another political battle. **A9**

◆ Former Sen. Lieberman is said to be the leading contender to be Trump's pick to run the FBI. **A5**

◆ Utah Rep. Chaffetz, the Republican who leads the House oversight panel, is leaving Congress in June. **A4**

◆ The president will visit Saudi Arabia and Israel and hold talks with the EU and NATO during a trip abroad. **A4**

◆ U.S.-led airstrikes hit Syrian forces as they approached U.S.-backed rebels near the Jordan border. **A8**

◆ Brazil's president is under investigation in a sprawling corruption scandal. **A9**

◆ NATO is considering reviving a naval command to counter Moscow's submarine activity in the Arctic. **A8**

◆ The alliance is likely to formally join the coalition against Islamic State. **A8**

◆ A car ran onto a sidewalk in Times Square, killing one person and injuring 22. **A3**

◆ A Basquiat painting sold at Sotheby's for \$110.5 million, an auction record for a work by a U.S. artist. **A13**

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Tensions Rise in War-Torn Syria After U.S. Defends Its Troops



COUNTRY IN CHAOS: A Syrian on Thursday cleared out his destroyed home in the resort town of Zabadani near Damascus. To the east, near the Jordan border, U.S. strikes hit regime forces to head off an advance on al-Tanf, where U.S. special forces work with Syrian rebels. **A8**

Budget Plan Relies on Cuts

White House aims at balance over 10 years, projecting much faster growth in economy

By NICK TIMIRAO

President Donald Trump next week will propose the U.S. can balance the federal budget over 10 years with substantial cuts to safety-net programs such as food stamps and other antipoverty efforts, combined with a tax and regulatory over-

haul that speeds up the nation's economic growth rate, a senior White House budget official said.

The president's budget, due for release Tuesday, will spare the two largest drivers of future spending—Medicare and Social Security—leaving trillions in cuts from other programs. That includes discretionary spending cuts to education, housing, environment programs and foreign aid already laid out by the administration, in addition to new proposed reductions to non-

discretionary spending like food stamps, Medicaid and federal employee-benefit programs.

The budget release, which will be unveiled while Mr. Trump is visiting Europe and the Middle East, shows how his economic policy team is trying to forge ahead on his agenda even as distracting political controversies swirl around Washington.

The White House's budget proposal next week builds upon an earlier outline in March that called for a nearly

10% boost in defense funding next year, offset by around \$54 billion in cuts for nondefense programs.

While there is bipartisan support for more military funding, Democrats and even some Republicans have balked at the magnitude of spending cuts Mr. Trump outlined.

Next week's budget document will outline additional cuts to programs that aren't

Please see BUDGET page A2

◆ Administration makes first move to revamp Nafta..... A9

NEW FDA LOBBY: THE PARENTS OF SICK CHILDREN

After trial data proved inconclusive, a drug firm joined with families to win federal approval

By SUSAN PULLIAM AND BRODY MULLINS

Jennifer McNary, a stay-at-home mother, was desperate to find a medicine that might spare her two sons an early death from a rare form of muscular dystrophy.

Chris Garaedian, the chief executive of a pharmaceutical firm, was desperate to find a profitable drug that would reverse his company's slow fall.

They met in June 2012 at a conference on Duchenne muscular dystrophy and joined forces, often behind the scenes and with little public disclosure, in a yearslong mission to push the government to approve a drug to treat DMD, as it is known.

At the time, it wasn't at all

clear the firm's drug worked. Faced with government skepticism, a consultant to Mr. Garaedian's company helped Ms. McNary and other parents prepare slickly packaged testimony to convince the Food and Drug Administration that the drug was helping their sick children, according to parents, company managers and the consultant.

The company, Sarepta Therapeutics Inc., leveraged the emotional appeal of the parents' stories. Without that, the drug—eteplirsen—likely wouldn't have been approved, said stock analysts, investors and people close to the matter.

An FDA advisory committee voted 7-6 last year to oppose the drug's approval, a position

Please see DRUG page A11

HIDDEN INFLUENCE

A Wall Street Journal series revealing the secret ways companies work the levers of power in Washington

Thursday: ■ Bovespa, Brazil's benchmark index 61597.06 ▲ 5942.94
■ MSCI Emerging Markets index 52951.40 ▼ 609.44

15% 12 9 6 3 0 Year-to-date

Jan. Feb. March April May

Sources: FactSet; MSCI

Brazil Markets Roiled by Inquiry

Brazil's President Michel Temer is under investigation as part of a sprawling corruption scandal, the country's Supreme Court said Thursday, prompting his opponents to call for his impeachment and sending Brazilian and emerging markets tumbling. **A9, B11**

THE WALL STREET JOURNAL.

Architect of Fox News Dies



Roger Ailes, who built Fox News Channel into a juggernaut but departed last year amid a company investigation into allegations of sexual harassment, died on Thursday at the age of 77. **A6**

BY JOHN SIMONS

International Business Machines Corp., a pioneer and champion of the work-from-home concept, is reversing decadeslong policies and calling thousands of employees back to the office.

The 105-year-old technology giant recently told U.S.-based remote workers they must either stop working from home and return to a regional hub, or find another job.

The shift is particularly sur-

prising since the Armonk, N.Y., company has been among the business world's staunchest boosters of remote work, both for itself and its customers. It has sometimes boasted that more than 40% of employees spent their workdays outside traditional company offices.

IBM markets software and services for what it calls "the anytime, anywhere workforce," and its researchers have published numerous studies on the merits of remote work. A May 4 post on

the company's Smarter Workforce blog stated that "telework works."

IBM says the move will improve employee collaboration and accelerate the pace of work. The changes come as IBM copes with 20 consecutive quarters of falling revenue and rising shareholder ire over Chief Executive Ginni Rometty's pay package. IBM cut several thousand employees in 2016, but Ms. Rometty has said the company plans to add

Please see IBM page A2

What Heats Up the Golden State Warriors? A Toaster

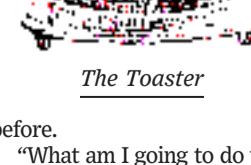
* * *

Fan asked NBA star to autograph it in March, now team is on a roll

BY BEN COHEN

OAKLAND, Calif.—Ronnie Reyes unwrapped a Christmas gift from his cousin a few years ago and found something unusual inside: an official Golden State Warriors toaster.

The only problem was that Mr. Reyes didn't need a Warriors toaster. He already had one. A toaster with the NBA team's logo was sitting in the kitchen of his family's home because, as it turned out, Mr. Reyes had bought the same present for his sister the year



The Toaster

before.

"What am I going to do with two toasters?" he thought.

It took him several months to come up with a plan, but eventually Mr. Reyes thought of a

way to put this second toaster to good use: He started asking the Warriors to autograph it.

He had been collecting signatures for years when he went to a meet-and-greet event in March with Golden State guard Klay Thompson. Mr. Reyes presented him with the toaster. Mr. Thompson stared at the kitchen appliance as if it were an undiscovered species. Mr. Reyes posted a photo of his reaction online that caught fire and has been seen by millions of people.

But then something else happened.

Please see STREAK page A6

U.S. NEWS

School's Out



SKIPPING CLASS: Sayre Pono of Skowhegan, Maine, rode a skim board on Thursday at Old Orchard Beach, near Portland, where the temperatures reached into the 90s. He was one of hundreds of high-school seniors who skipped school to play in the sun.

BUDGET

Continued from page A1
subject to annual spending bills, such as antipoverty spending or Medicaid, which could meet strong resistance in Congress.

Among the more controversial elements of the budget will be the administration's growth forecasts. The White

House projects the nation's economic growth rate will rise to 3% by 2021, compared with the 1.9% forecast under current policy by the Congressional Budget Office.

The CBO and other forecasters see retiring baby-boomer workers and slow worker productivity growth continuing to restrain output in years ahead. But the Trump administration argues tax and regulatory cuts can reverse the trend.

"This president campaigned on economic growth," said the budget official. "That's the debate we want to have: What are the economic policies needed to get there?"

Overly aggressive growth assumptions could undercut the administration's ability to sell its agenda to Congress.

"I am extremely pessimistic that you can show a balanced budget unless you're going to make the mother of all 'rosy

scenario' type assumptions," said William Hoagland, a former congressional Republican budget aide who is now at the Bipartisan Policy Center in Washington.

Under current policy, the CBO expects deficits to rise from around 3% of gross domestic product today to 4% early next decade and 5% by 2027. That would swell the national debt from around 77% of GDP to nearly 89%. Mr. Trump will present a budget forecast that shows the national debt declining to 60% of GDP by 2027.

While the Trump forecast will show a large increase in the country's growth rate, it won't show nearly as much of an increase in government borrowing costs. The White House budget official said the forecast will show yields on benchmark 10-year Treasury notes rising to 3.8% by 2020, which is only slightly higher than the CBO, which estimates rates rising to 3.6% over the next decade.

Faster growth often goes in hand with higher rates. Since 1962, the relationship between growth, inflation and interest rates implies Treasury yields of around 5% or more when growth is 3%.

—Kate Davidson contributed to this article.

including intense intraparty fighting over priorities including deficit reduction, restraining entitlement costs and increasing military spending.

"It's going to be tough," said Mick Mulvaney, the White House budget director and a former House member.

Congressional budget resolutions serve as blueprints that lawmakers use to set spending levels for the coming fiscal year. Congress then uses the blueprint to write specific spending bills for agencies that go to the president for signoff. In some past years Congress has passed spending bills without the broader blueprint.

The budget resolution for fiscal 2018 is critically important because, according to the

complex rules of federal budget writing, it opens the way for a process called reconciliation that allows certain tax and spending laws to pass the Senate on a simple majority vote.

Getting a budget resolution that the House and Senate both agree on is a critical step because Democrats are unlikely to support a Republican tax overhaul.

The challenge with this resolution: Republican party fissures and competing coalitions among tax reducers, spending cutters, defense hawks and budget balancers leave GOP leaders with little room for error as they try to forge a budget plan for 2018.

—Richard Rubin and Kate Davidson

—Kate Davidson contributed to this article.

the "vast majority" of IBM's telecommuters have chosen to join their teams in person.

Workers in affected IBM divisions have been given 30 days to decide whether to move to office space that can be hundreds of miles away from their homes.

The changes have stunned longtime IBM employees like marketing manager Ron Faval. The 15-year company veteran has spent the past 12 years working from an office in his home outside Tampa, Fla., and considered himself a remote-work success story.

His team uses IBM's Same-time instant-messaging voice and video chat software to stay connected and on task, despite being scattered in three states. Working remotely came with career trade-offs, he said. "I was never going to be named vice president of marketing for anything, but I'm OK with that." He has declined IBM's offer to return to a company workspace, and will leave the company next month to start a marketing

firm.

Companies began offering generous remote work policies because they expected large savings in office and real-estate costs, said Jennifer Glass, a University of Texas professor who studies telecommuting and advises companies on remote-work strategies. Those savings haven't materialized,

Workers have 30 days to decide whether to move to company-maintained office space.

Ms. Glass said, so workers are being called back to the office.

Relocating offices or asking employees to move can sometimes be read as layoffs in disguise, since a certain percentage of workers won't be able to relocate.

Working from the master bedroom in her Ogden Dunes, Ind., home, Penny Schlyer

helped market IBM mobile software and services for companies reliant on workers who aren't bound to a desk, such as retail employees, financial advisers or doctors.

Her seven years telecommuting with IBM could have been plucked from one of her marketing campaigns: She has logged work hours from the sidelines of her sons' sporting events and used Sametime to communicate with colleagues.

The 48-year-old mother of three was dismayed when IBM requested that she move to the company's New York City office. "The irony is definitely not lost there," she said.

Though IBM offered to pay for the move and make a small cost-of-living adjustment to her salary, Ms. Schlyer declined. "I could never afford to live in New York City, and probably not anywhere close."

She has found a new job leading product marketing for SA Ignite, a Chicago-based software company, but her office won't change; she is still in the master bedroom.

Why Firms Return Workers to Office

Technology like video calls and instant messaging applications like Slack were supposed to augur a future in which employees could clock in from anywhere in the world. But recent decisions at **Bank of America Corp.** and **Aetna Inc.** to greatly reduce telecommuting reflect an emerging consensus that chat apps and video calls are no substitute for in-person face time.

Bank of America scaled back its work-from-home options to strengthen company culture and develop its work-

force. Leaders concluded that remote work was "overdeployed" on some teams, an executive told the Charlotte Observer in a 2015 interview.

Aetna's changes have a dual aim: The health insurer wants some workers to be more accessible to clients, said spokesman T.J. Crawford. Also, he said, "there's a small group of managers with larger teams who can benefit from seeing their people back at the office."

Managers' comfort is a big issue in remote work, said Ken Matos, vice-president of research at Life Meets Work, a consultancy that advises firms on workplace policies.

—John Simons and Nikki Waller



Penny Schlyer telecommuted with IBM for seven years

U.S. WATCH

OKLAHOMA

Officer Acquitted in Videotaped Shooting

Protesters briefly blocked a street in Tulsa, Okla., after a jury acquitted a white female police officer in the videotaped shooting death last year of an unarmed black motorist.

Officer Betty Jo Shelby was found not guilty late Wednesday of first-degree manslaughter after arguing that she feared for her life when she fatally shot Terrence Crutcher.

Widely seen video footage of the Sept. 16 shooting—recorded by a police helicopter and a dashboard camera and released by the Tulsa Police Department—show Mr. Crutcher walking toward his car with his arms raised and then placing his hands on the top of the car. Just after the view of the man is blocked in two separate videos, shots ring out and he falls to the ground.

Lawyers for Officer Shelby had argued she feared Mr. Crutcher was reaching for a gun in the car. She also said he showed signs of being under the influence of PCP and had repeatedly refused to get on the ground in the minutes before the shooting.

No gun was found inside the car, police said, but an autopsy found he did have PCP in his system.

"Betty Jo Shelby murdered my brother," Tiffany Crutcher told reporters and supporters after the verdict was announced. "Terrence did not attack her. Terrence did not charge at her. Betty Shelby was the aggressor."

—Joe Barrett and Shibani Mahtani

SOCIAL MEDIA

Dean Sent on Leave For Insensitive Posts

A Yale University dean who has taught psychology and Asian-American studies was placed on leave after posting a series of racially insensitive reviews online, her boss at the school's Pierson College said in an email Thursday.

Jane Chu, dean of the residential college, apologized last week for two reviews on social media that were deemed offensive and gave assurances that those were the only troubling posts, according to the email.

While the Trump forecast will show a large increase in the country's growth rate, it won't show nearly as much of an increase in government borrowing costs. The White House budget official said the forecast will show yields on benchmark 10-year Treasury notes rising to 3.8% by 2020, which is only slightly higher than the CBO, which estimates rates rising to 3.6% over the next decade.

Faster growth often goes in hand with higher rates. Since 1962, the relationship between growth, inflation and interest rates implies Treasury yields of around 5% or more when growth is 3%.

—Kate Davidson contributed to this article.

From Age to Age



LOOKING UP: High-school senior Denia Gibson fixes the cap of a kindergarten student on Thursday in Corpus Christi, Texas.

CORRECTIONS & AMPLIFICATIONS

Arrests of people suspected of being in the U.S. illegally have increased in the months since Inauguration Day, but the number of deportations dropped by a modest amount during the first 100 days of the Trump administration compared with a year earlier.

A U.S. News article Thursday about immigration arrests incorrectly said in one reference

that deportations increased.

James Tierney is a lecturer at Harvard Law School. In some editions Thursday, a U.S. News article about cross-party battles between governors and attorneys general incorrectly used a prior title, director of the National State Attorneys General Program at Columbia Law School.

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

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U.S. NEWS

Flint Tries to Put Water Crisis Behind It

Officials point to recent investments as signs Michigan city is poised for a comeback

BY KRIS MAHER

FLINT, Mich.—As construction cranes pivot in this city's downtown, a local venture-capital firm is investing more than \$14 million to renovate two century-old buildings a block from a bustling indoor farmers market.

One building will house an innovation incubator and modular workspaces for companies that pay monthly membership fees. Next door, the historic Capitol Theatre is being refurbished at a cost of \$32 million.

Persuading companies to invest in this Rust Belt city that is still climbing out of its lead-tainted water crisis might seem like a tough sell. But officials here, touting strengths like several college campuses, a skilled workforce and cheap industrial land, say the city is poised for a comeback.

"There's going to be a part two to this story in the city of Flint," said Mayor Karen Weaver. "I do feel like we're turning a corner."

Flint faces challenges shared by other cities in the Northeast and Midwest still trying to find a solution to decades of deindustrialization and disinvestment. While some bigger cities like Pittsburgh and Detroit have remade themselves or are



Flint's unemployment rate peaked at 27.9% in mid-2009, and was 9.8% in March.

in the process of doing so, midsize cities like Flint have often struggled less visibly.

"The water infrastructure crisis is emblematic of the challenges that small- to midsize industrial cities with a weak tax base have to deal with today," said Amy Liu, director of the Metropolitan Policy Program at the Brookings Institution. An inability to provide basic services like water "makes economic development hard," she said.

Flint, generally considered the birthplace of **General Motors**, is working to put the crisis behind it. In 2014, the city began using the Flint River, which winds through the city between concrete banks, as its

water source. State and local officials failed to treat the water properly and it began to leak lead from old pipes.

The city water authority's lead testing is now within federal limits, but residents are still advised to filter their tap water. Under the current plan, by 2020 Flint will have replaced all of its lead service lines.

"The water is good. I drink it. I have family that lives in Flint that drinks it, and the cost is even better," said Jeff Wright, the Genesee County drain commissioner.

On a recent bus tour for developers sponsored by the Flint and Genesee Chamber of Commerce, an urban landscape

of vacant homes and the 390-acre expanse of concrete and weeds at GM's former Buick City plant rolled past. But so did several manicured neighborhoods, an art museum and the former estate of Charles Stewart Mott, a partner in the company that became GM.

"That's the full spectrum that Flint has," said Kyle McCree, a chamber staff member who led the tour. "We have things that make you want to cry, things that make you want to shout and everything in between."

Flint's unemployment rate peaked at 27.9% in mid-2009, in the wake of the financial crisis and amid the near-imlosion of the U.S. auto industry.

try. The unemployment rate was a more manageable 9.8% in March, but still higher than the state's rate, which fell to 3.7% in April.

Among Flint's selling points are a University of Michigan campus and Kettering University, a top engineering school, as well as the Charles Stewart Mott Foundation, a Flint-based charity that this year said it would commit up to \$100 million over the next five years to help the city recover from the water crisis.

"There are some core entities here and a passionate population," said Sharon Madison, owner of an architectural design and construction firm in Detroit

who came to hear the city's recent pitch for investment.

The city has attracted new businesses even in the midst of the water crisis.

In 2015, **C3 Ventures**, an environmentally friendly injection molding company, chose Flint over sites in California and Indiana when it decided to build a \$10 million 3-D manufacturing facility and hire 400 workers. The company makes plastic parts for cars and building materials.

Bob Schaffer, the company's founder, said the water crisis could help attract entrepreneurs inspired to help Flint rebuild. "There are so many opportunities here," he said.

Interracial Marriages On the Rise In the U.S.

BY LAURA MECKLER

WASHINGTON—One in six American newlyweds married someone of a different race or ethnicity in 2015, a fivefold increase in the 50 years since the Supreme Court recognized a nationwide right to intermarriage, according to new data released Thursday by the Pew Research Center.

The most dramatic increases have been among African-Americans, though black men are much more likely than black women to intermarry. Asian and Hispanic newlyweds are by far the most likely to have intermarried, with nearly three in 10 marrying someone of a different race or ethnicity.

In 1967, when the Supreme Court handed down its landmark *Loving v. Virginia* decision, just 3% of newly married couples were intermarried. By 2015, that had climbed to 17%, according to Pew analysis of census data.

"It's a striking number to me and it shows the future of the country," said Gretchen Livingston, the report's lead author.

As the nation has grown more racially and ethnically diverse, Americans have become much more accepting of intermarriage. In 2010, 24% of Americans said that more intermarriage of people of different races was generally "a good thing" for society. A new survey, conducted in February and March, found that had risen to 39%.

The number saying interracial marriage is "a bad thing" fell a bit—from 13% to 9%—but the share saying it doesn't make a difference dropped from 61% to 52%.

Negative attitudes among nonblacks toward marrying black people have taken a particularly steep dive, according to Pew analysis of data from the General Social Survey, conducted by NORC at the University of Chicago. In 1990, 63% of nonblacks said they would be very or somewhat opposed to a close relative marrying someone who is black. By 2016, that figure had fallen to 14%.

Among African-Americans, there were sharp differences between the genders—a trend many single black women have noticed as they search for mates. The report found that 24% of recently married black men had a spouse of a different race or ethnicity, but just 12% of black women did.

Driver Kills One, Injures 22 in Times Square

BY ZOLAN KANNO-YOUNGS

An 18-year-old woman was killed and 22 people were injured when a car plowed through a crowded sidewalk in Times Square around midday Thursday, the New York Police Department said.

Richard Rojas, a 26-year-old U.S. citizen who served in the Navy, was apprehended by police and civilians after the car he was driving crashed into a stanchion, NYPD Assistant Chief of Manhattan South William Aubrey said. NYPD Commissioner James O'Neill said police weren't treating the incident as an act of terrorism.

A lawyer for Mr. Rojas couldn't be reached for comment.

Mr. Rojas, who has two previous arrests for drunken driving, was driving a Honda Accord south on 7th Avenue when he made a U-turn at 42nd Street, Chief Aubrey said.

Mr. Rojas' car mounted the sidewalk at 42nd and 7th Avenue and drove for three and a half blocks, striking the 23 people.

Between 42nd Street and 43rd Street, his vehicle hit Alyssa Elsman of Michigan, who was killed, Chief Aubrey said.

Mr. Rojas' car struck the stanchion near 45th Street, an NYPD traffic agent and patrol officers took the man into custody.

"We all feel deeply right



People tended to an injured man on Thursday after a driver hit 23 people with his car in New York's Times Square.

now for those who were injured and for the families and particular the family of the young woman who was lost, New York City Mayor Bill de Blasio said.

Daniel Nigro, commissioner of the New York City Fire Department, said four people suffered critical injuries "with open fractures and trauma"; three additional pedestrians had serious injuries; and 15 people suffered more minor injuries. They were all expected

to live, Mr. Nigro said.

Julie Fallow, 47, from New Jersey, was standing at 42nd Street and 7th Avenue with her daughter and niece when the incident unfolded. "All of a sudden a car gunned it at an angle in front of us and went up on the curb and hit a huge group of people waiting to cross," Ms. Fallow said. "He kept driving and he drove through as many people as there were on the sidewalk, just kept driving down the

sidewalk running over people."

Sandra Verbrugghe, 40, a tourist from Antwerp, Belgium, was in Times Square when she and her friend heard a bang and saw smoke. She thought the noise was coming from the subway, but then she saw the car on fire.

"The officers started running to us and told everyone to get away," Ms. Verbrugghe said.

Mr. Rojas was arrested in 2008 and 2015 for drunken driving, Chief Aubrey said. He

was last arrested in May on a menacing charge.

Police didn't say whether Mr. Rojas was convicted of any of those charges.

Commissioner O'Neill said police were reviewing video surveillance. Times Square is one of New York City's more policed areas: Counterterrorism units frequently patrol the popular tourist destination.

—Melanie Grayce West and Joseph De Avila contributed to this article.

Texas' New Sanctuary-City Law Is Under Attack

BY DAN FROSCH

DALLAS—Days after Texas' Republican governor, Greg Abbott, signed one of the nation's toughest immigration laws barring sanctuary policies, the new measure is already under legal and political attack.

Under the law, passed by the Republican-controlled legislature, municipalities and police departments are prohibited from adopting policies that limit their cooperation with federal authorities in enforcing immigration law.

Local law-enforcement officials and sheriffs can face criminal penalties—including jail sentences—if they don't comply with requests from federal authorities to detain illegal immigrants.

Last week, the League of United Latin American Citi-

zens filed a federal lawsuit against Texas, challenging the law on behalf of the small, largely Hispanic border town of El Cenizo. The suit says the law is unconstitutional and infringes on the rights of local governments to police their own residents.

On Monday, the El Paso County commissioners voted to retain a law firm so they can move forward with their own suit against the measure.

Most Texas entities lack sanctuary policies explicitly written into law, though several have embraced them. Larger Texas cities including Austin have expressed opposition to the new measure, but it is unclear how many will fight it in court.

State Rep. Charlie Geren, a Republican from Fort Worth and one of the bill's chief

sponsors, said no municipalities publicly expressed support for the legislation.

Backers of the law, though, have already launched their own legal maneuvers to defend it before it goes into effect in September. In an un-

The measure punishes cities and police who hinder federal immigration agencies.

usual move, Republican Attorney General Ken Paxton filed a federal lawsuit in Austin last week asking a judge to affirm the bill's constitutionality. The suit names as defendants the city of Austin, the Mexican American Legal Defense and Educational Fund and Travis County Sheriff Sally Hernandez, an outspoken opponent of the law.

Earlier this year, Sheriff Hernandez, a Democrat, ordered her department to stop detaining illegal immigrants on behalf of federal authorities, a practice that will be prohibited under the new law. In response, Mr. Abbott stripped \$1.8 million in state grants from the county, which includes most of Austin.

Travis County Judge Sarah Eckhardt said in a statement the county welcomed the chance to litigate the measure in court. Thomas Saenz, president and general counsel of the Mexican-American legal group, called the suit frivolous.

This week, Democratic lawmakers from major Texas cities signaled their support for a

wave of anticipated litigation that will seek to stop the new law before it goes into effect, while calling for a "summer of resistance" to the measure.

"We are anxious to get out of the political arena and into the courtroom," Austin Mayor Steve Adler said.

Supporters of the law, including the Texas sheriffs' association, say it merely codifies what is already the practice of most Texas law enforcement. Jackson County Sheriff A.J. Louderback, the group's legislative director, said it has long backed working with federal immigration authorities.

More than two dozen other states have introduced bills seeking to ban sanctuary policies. Lawmakers in 15 states, meanwhile, have proposed bills seeking to support the policies.

U.S. NEWS

Trump Seeks to Affirm Global Role

BY CAROL E. LEE
AND PETER NICHOLAS

WASHINGTON—President Donald Trump embarks on his first official foreign trip Friday aiming to advance peace in the Middle East and engage European allies on the fight against terrorism—though his domestic political woes may tag along, too.

Mr. Trump's nine-day trip includes stops in Saudi Arabia and Israel, an audience with the pope and rounds of meetings in Brussels with European Union officials and with North Atlantic Treaty Organization allies.

Secretary of State Rex Tillerson said Thursday that Mr. Trump's trip is designed to convey the message that "America is back" as a leader in confronting global challenges. And it gives the president the opportunity to showcase his role as a head of state grappling with issues of war and peace.

Images of Mr. Trump standing beside his counterparts in foreign capitals could offer a welcome contrast to the controversies he is facing at home.

Those range from his conversations with—and firing of—Federal Bureau of Investigation Director James Comey to sharing sensitive information from Israel with Russian officials, to the Justice Depart-



Donald Trump with Palestinian Authority President Mahmoud Abbas at the White House this month.

would be getting would be about the investigation," said Mark Gilbert, a former U.S. ambassador to New Zealand in the Obama administration.

One concern abroad: that worries back home could distract Mr. Trump from issues European leaders want to be at the center of the agenda, including reaffirming the significance of NATO and the importance of the Paris climate accord.

The trip's first stop, on Saturday, is Saudi Arabia, where Mr. Trump plans to deliver a speech his aides say will call for unity in the region and challenge Arab leaders to confront the spread of extremism.

In Israel, Mr. Trump is scheduled to meet with Prime Minister Benjamin Netanyahu and to visit the West Bank to meet with Palestinian leader Mahmoud Abbas. He will then fly to Rome to meet with Pope Francis.

In the Belgian capital, Brussels, which Mr. Trump once described as a "hellhole," Prime Minister Charles Michel in Parliament on Thursday promised lawmakers that he won't mince words with the U.S. president, but will seek to preserve the trans-Atlantic relationship.

—Felicia Schwartz, Stefan Lange, Anton Troianovski, Valentina Pop and Michael C. Bender contributed to this article.

WASHINGTON WIRE

TREASURY

Democrats' Request To Be Reviewed

Treasury Secretary Steven Mnuchin, at a hearing on Capitol Hill, said he would review a request by Senate Democrats for a list of all of President Donald Trump's business contacts.

Sen. Sherrod Brown (D., Ohio), the top Democrat on the Senate Banking Committee, pressed Mr. Mnuchin on Thursday to commit to turning over details of the president's "financial entanglements," which he requested in a March 2 letter to the secretary, adding that Americans are troubled by those business connections.

"That's not an academic or political-science exercise," he said. "It's about the national security of this country."

The hearing was Mr. Mnuchin's first time testifying on Capitol Hill since his confirmation hearing in January.

—Kate Davidson

POLL

Trump Losing Favor In Swing Counties

Americans in swing counties are souring on President Donald Trump's job performance, according to a new poll released Thursday by Monmouth University.

Among people in 300 swing counties, Mr. Trump's standing dropped to 34% approval and 54% disapproval in May from 41% and 46%, respectively, in March. Monmouth defined swing counties as counties where the margin between Mr. Trump and Democrat Hillary Clinton was less than 10 percentage points in the 2016 presidential election.

Among all people polled, Mr. Trump sank to 39% approval from 41%, while his disapproval grew to 53% from 46%.

The Monmouth poll is about in line with the latest Wall Street Journal/NBC News poll, which found that 39% of voters approve of Mr. Trump's job performance and 54% disapprove.

—Reid J. Epstein

Chaffetz Plans to Leave Congress at End of June

BY NATALIE ANDREWS

Utah Rep. Jason Chaffetz, the Republican leading the House committee responsible for conducting oversight and investigations of the White House, plans to step down from Congress at the end of June.

Mr. Chaffetz, chairman of the House Committee on Oversight and Government Reform, on Thursday posted a letter to his website saying that he would step down.

"I've slept on a cot in my

office largely to save money for the Chaffetz family, but also to remind myself that my service there was temporary," Mr. Chaffetz wrote. "Though the time away and the travel have been a sacrifice, our family has always been united that public service was the right thing to do. We feel my time in congress has been well spent, but it now seems the right time to turn the page."

Mr. Chaffetz had said in April he wouldn't run for reelection and hinted he might

step down early to take a job in the private sector.

As committee chairman, Mr. Chaffetz leads the House panel that investigates waste, fraud, abuse or mismanagement in the executive branch. His departure leaves uncertain the direction of the committee's investigations.

The committee has been looking into whether President Donald Trump asked former Federal Bureau of Investigation Director James Comey to curb an inquiry into the presi-

dent's former national security adviser, Mike Flynn, shortly after Mr. Flynn resigned in February. Mr. Flynn was pressed to step down after misleading Vice President Mike Pence about his communications with the Russian ambassador to the U.S.

On Tuesday, shortly after the existence was reported of a memo in which Mr. Comey documented Mr. Trump's request, Mr. Chaffetz sent a letter to Andrew McCabe, the acting director of the FBI, ask-

ing for all documents relating to communication between Messrs. Trump and Comey. If the agency didn't comply, Mr. Chaffetz wrote on his Twitter account, "I have my subpoena pen ready."

It is unclear who will succeed Mr. Chaffetz as chairman of the House committee. Rep. Jim Jordan (R., Ohio) ran for committee chairman against Mr. Chaffetz in 2014. The most senior member of the committee is Rep. John Duncan (R., Tenn.).

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U.S. NEWS

Lieberman At Top of List for FBI Job

BY MICHAEL C. BENDER

Former Sen. Joe Lieberman is the leading contender to be President Donald Trump's pick to run the Federal Bureau of Investigation, a senior administration official said.

Asked on Thursday by reporters if Mr. Lieberman was one of his top picks, Mr. Trump said, "He is."

Selecting Mr. Lieberman—who served in the Senate as a Democrat and then as an independent, and endorsed Hillary Clinton in the 2016 election—would enable the White House to characterize the choice as bipartisan. 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.

Mr. Lieberman works at a law firm whose founder has referred to it as its go-to lawyer. Mark Kasowitz, who founded the firm, has said he would continue to represent the president and his businesses.

Sen. Lindsey Graham (R., S.C.) called Mr. Lieberman "a pillar of credibility; he'd be a good choice."

But some Democrats weren't so enthusiastic because of Mr. Lieberman's political background. Sen. Claire McCaskill (D., Mo.) said, "It's a mistake to nominate anyone who has ever run for office."

Democratic Sen. Richard Blumenthal, who like Mr. Lieberman hails from Connecticut, declined to comment on him directly but said, "In general, a nominee for FBI director ought to be someone with a background and experience in criminal justice and ought to have no political connections or ties."

Mr. Trump last week fired James Comey as the FBI director, as the bureau investigates Russia's alleged interference in the presidential election.



James Comey, Rod Rosenstein and Robert Mueller III, shown from the left, have crossed paths on their way to the inquiry into the Trump White House and Russia.

Three Men Share One Spotlight

BY ARUNA VISWANATHA

Robert Mueller III, James Comey and Rod Rosenstein have collectively spent more than 80 years at the Department of Justice, a place where young prosecutors are taught to follow the facts, apply the law and stay out of politics.

Now, they could wind up haunting the White House.

On Wednesday, Mr. Rosenstein, the deputy attorney general, named Mr. Mueller, a former Federal Bureau of Investigation director in the George W. Bush and Barack Obama administrations, as special counsel to investigate Russian meddling in the 2016 election, one week after President Donald Trump fired Mr. Comey from the FBI job.

The three crossed paths as they rose to become among the best-known law-enforcement leaders of their generation. Messrs. Mueller and Comey served together in senior roles in the Bush Justice Department, when Mr. Rosenstein was also an official in the

tax division. All three also were U.S. attorneys in the 2000s. Mr. Comey once held the job Mr. Rosenstein now occupies, and Mr. Comey just left the post once held by Mr. Mueller.

Now Mr. Mueller will head a probe that, among other things, will look at whether anyone in the Trump campaign coordinated with the Russians to help him defeat Democrat Hillary Clinton. Mr. Mueller will report to Mr. Rosenstein, since Attorney General Jeff Sessions has recused himself. Mr. Comey's testimony, and the memos he has written regarding Mr. Trump, could figure prominently in Congress's and Mr. Mueller's examinations of the matter.

On Thursday, Mr. Rosenstein, who penned a memo that the White House initially used to justify Mr. Comey's firing, told senators in a closed-door session that Mr. Mueller would look at how Mr. Trump came to fire Mr. Comey.

But Mr. Rosenstein declined to say how he came to write

the memo critical of Mr. Comey. "He very much avoided giving specific answers as to the circumstances around the writing of the memo," Sen. Bill Cassidy (R., La.) said upon leaving the session.

Lawmakers have asked the FBI to turn over by next week Mr. Comey's notes from his meetings with Mr. Trump and asked him to testify, in a hotly

The officials served at the same time in George W. Bush's Justice Department.

anticipated hearing. The Wall Street Journal and others have reported that Mr. Comey's notes from one meeting allegedly show Mr. Trump asked him to back off an investigation into former national security adviser Michael Flynn, something Mr. Trump denies.

Messrs. Mueller and Comey

both earned bipartisan respect over decades-long law enforcement careers. Famously, both were part of a dramatic episode in 2004 when they rushed to the hospital bed of then-Attorney General John Ashcroft to prevent Bush White House officials from pressuring Mr. Ashcroft to approve a controversial wiretapping program, in Mr. Comey's account. But that is about where the similarities end.

When he headed the FBI, Mr. Mueller, a demanding former Marine known for getting into the weeds on investigations and dressing formally, was respected by agents, if not always loved.

A man of few public words, Mr. Mueller acknowledged his appointment as special counsel on Wednesday by saying only, "I accept this responsibility and will discharge it to the best of my ability."

Mr. Comey, in contrast, approached the FBI director's job more like a chief executive, becoming the public face of the organization, providing strate-

gic direction and getting to know agents across the country. Former prosecutors who worked for Mr. Comey still talk of inspiring speeches he gave on their first day on the job.

Mr. Rosenstein is less well known, having spent much of his career as a line prosecutor and U.S. attorney in Maryland, but people who worked for him speak of him in terms that highlight a focus on doing what is "right."

Now, the three men are in a charged political arena where many are likely to disagree on what the right thing is.

The pressure of the current investigation was illustrated by the closed-door briefing Mr. Rosenstein delivered to the Senate Thursday.

Sen. Cory Booker (D., N.J.) said afterward Mr. Rosenstein didn't answer a question, for example, on who asked him to write his memo to the president about Mr. Comey.

"I think he felt constrained by the integrity of the investigation not to answer all of our questions," Mr. Booker said.

TRUMP

Continued from Page One
part on work Mr. Flynn undertook for Turkish interests, which he didn't disclose in full until weeks after his resignation from the White House.

The subpoena that the Journal reviewed was sent out in early April, nearly a month before Mr. Trump fired Mr. Comey, raising questions about whether the president learned the investigation into Mr. Flynn was escalating before firing Mr. Comey, who was overseeing the probe.

Mr. Trump said at a news conference with the visiting Colombian president that he didn't ask Mr. Comey to back off his probe into Mr. Flynn, as people close to the former FBI director have suggested.

Media outlets reported earlier this week that Mr. Trump made the request of Mr. Comey during a private meeting in February, citing notes Mr. Comey made at the time. Those reports came a week after Mr. Trump had abruptly fired Mr. Comey. Congressional investigators have demanded copies of those notes and asked Mr. Comey to testify about them.

Mr. Trump's comments Thursday were his first on the Comey account; previous denials had come from the White House.

On Wednesday, Deputy Attorney General Rod Rosenstein named former FBI Director Robert Mueller III as special counsel to investigate Russia's alleged interference with the 2016 election and the country's possible links to Mr. Trump's campaign and associates.

In a series of tweets Thursday morning, Mr. Trump called the investigations "the single greatest witch hunt of a politician in American history."

But at the press conference, Mr. Trump expressed mixed feelings about the matter. "I respect the move, but the entire thing has been a witch hunt," he said, referring to the appointment of a special counsel.

Responding to a reporter's question, he also said any talk

of impeachment is "totally ridiculous."

The president said that the Russia inquiry "divides the country," but offered a toned-down message than he had in earlier tweets and comments.

"I'm fine with what everyone wants to do, but we have to get back to running this country," he said.

Mr. Trump continued to criticize Mr. Comey and cited the former director's "very poor performance" in a Senate hearing two weeks ago. He also cited the "very strong recommendation" from Mr. Rosenstein in deciding to fire Mr. Comey.

That Rosenstein memo was initially cited by the White House as the basis for Mr. Comey's removal, but Mr. Trump later said he had decided on the firing even before the memo was finished.

Mr. Rosenstein, speaking on Thursday to a closed-door meeting of the entire Senate, disclosed that he had been aware of Mr. Trump's plans to fire Mr. Comey even before he wrote the memo justifying the firing, several senators in the briefing said.

Under repeated questioning from senators, Mr. Rosenstein declined to answer additional questions about why and how he wrote the Comey firing memo, saying those issues should be in the province of Mr. Mueller's investigation.

"We must have asked that question 25 different ways," said Sen. Chris Coons (D., Del.). But he said, Mr. Rosenstein "declined to answer in any meaningful way questions about the process that led to the decision to fire Jim Comey, the preparation of his memo, who he consulted, who told him to prepare it."

At his press conference Thursday, Mr. Trump also reiterated his position that he never colluded with Russia during last year's election.

"There is no collusion between myself and my campaign...I can always speak for myself and the Russians—zero," he said. "Believe me, there's no collusion."

—Byron Tau
and Janet Hook
contributed to this article.



Federal prosecutors are looking at work former National Security Adviser Michael Flynn, above, undertook for Turkish interests.

Flynn's Decision on Kurds Is Questioned

One question facing prosecutors is whether money Michael Flynn received to advance Turkish interests played any role in his decisions as national security adviser.

When Mr. Flynn rejected a plan proposed by officials in former President Barack Obama's administration during the transition to arm Kurdish fighters in Syria, the officials were mystified by Mr. Flynn's pushback.

However, they didn't know at the time that Mr. Flynn's consulting firm had accepted hundreds of thousands of dollars from a Dutch company for work that benefited the Turkish government, which opposed arming the Kurds. Months earlier, Mr. Flynn had seen Turkey's foreign

minister and energy minister in a meeting arranged by the client.

Now the former officials question whether Mr. Flynn rejected the plan during the transition because he thought Donald Trump's administration would want to analyze the issue on its own, or felt beholden to the Turkish government's point of view on account of his business ties.

His lawyer, Robert Kelner, didn't respond to a request for comment on why Mr. Flynn rejected the Obama administration's appeal.

The retired three-star U.S. Army general resigned as the president's national security adviser in mid-February, after the administration said he misrepresented his contacts with the Russian ambassador to the U.S.

Weeks after his resignation, in early March, Mr. Flynn filed

retroactive forms with the Justice Department under the Foreign Agent Registration Act, in which he disclosed details of his work for a Turkish businessman through a Dutch firm called Inovo BV.

Some details of Mr. Flynn's rejection of the Obama administration's plan to arm Kurdish fighters in Syria have been reported previously by the Washington Post and McClatchy.

Just as the White House was about to green light the Kurdish plan, then-national security adviser Susan Rice was sent to confer with Mr. Flynn, who was about to take over from her as national security adviser.

But to the surprise of many, he rejected the idea. Ms. Rice couldn't be reached for comment.

"This was posed as, 'We've made this decision and we're

going to move out, and he said, 'don't,'" said a former U.S. official.

"People were taken by surprise," the former official said, because the Obama administration believed it had finally completed the policy review necessary and in effect made it easier for the Trump administration on a major foreign policy issue.

"We sort of thought of this was taking a big piece of business off their plate," another former official said.

Mr. Flynn's response was mystifying to former U.S. officials.

Mr. Trump approved a plan this month—some four months after the Obama administration made the initial appeal to Mr. Flynn—to arm Kurdish fighters battling Islamic State in Syria directly.

—Gordon Lubold
and Paul Sonne

U.S. NEWS

Ailes, 77, a Force in Politics, News

He advised Nixon and other presidential candidates before creating Fox News

BY JOE FLINT

Roger Ailes, who combined political savvy with television showmanship to build the Fox News Channel into a conservative media juggernaut, but whose fabled career ended abruptly last year amid a sexual-harassment scandal, died Thursday. He was 77 years old.

Mr. Ailes, a hemophiliac who had been in failing health, was hospitalized in recent days after complications from a fall, a person familiar with the situation said.

"I am profoundly sad and heartbroken to report that my husband, Roger Ailes, passed away this morning surrounded by his beautiful family," Mr. Ailes's wife Elizabeth said in a statement Thursday. Besides his wife, Mr. Ailes is survived by his son Zachary, brother Robert, and sister Jean.

Mr. Ailes pioneered a style of cable news with opinionated, right-leaning prime-time programming delivered by pugnacious hosts. It was an approach that delighted conservatives and proved successful financially, even as it often triggered a negative response from liberal audiences.

He had an instinct for making TV entertaining and knew how to pick and coach talent that others in the industry might overlook and develop those personalities into household names.

Through a career in politics dating back to the 1960s—advising the campaigns of Richard Nixon, Ronald Reagan, George H.W. Bush and, later, Donald Trump—and his leadership of Fox News, Mr. Ailes helped shape the modern conservative movement. Currying favor with the network's huge audience became a must for Republican politicians with national aspirations.

But he will also be remembered for the sexual-harassment scandal that led to his resignation last summer and threw Fox News into a period of turmoil.

He left in July 2016, after a former network anchor sued him, alleging sexual harassment, and parent company **21st Century Fox Inc.** investigated his conduct. Mr. Ailes denied wrongdoing.

21st Century Fox and Wall Street Journal-owner News Corp share common ownership.

Known for his bluntness and disdain for the so-called liberal media elites, Mr. Ailes was the perfect choice to execute media mogul Rupert Mur-



Roger Ailes, shown here in a 2006 photo at Fox News in New York, left the channel July 2016 amid a sexual-harassment scandal.



Roger Ailes in 1971

doch's vision of launching a news channel that would serve as a thorn in the side of CNN and the evening newscasts of ABC, CBS and NBC.

"Roger and I shared a big idea which he executed in a way no one else could have," Mr. Murdoch said in a statement Thursday. "He will be remembered by the many people on both sides of the camera that he discovered, nurtured and promoted."

Mr. Ailes once said that his first qualification to run a news operation was "I didn't go to Columbia Journalism School."

When Fox News made its debut in October of 1996, few were optimistic about its chances of success. CNN had a 16-year head start, and NBC and the deep-pocketed Microsoft Corp. were launching MSNBC.

But Fox News's mix of news and opinionated talk targeting conservatives struck a chord

How Ailes's Death Affects Lawsuits

The death of former Fox News Chairman Roger Ailes leaves an uncertain future for the lawsuits filed by women who have accused Mr. Ailes of sexual harassment. Several women have joined lawsuits against Fox News, accusing the company of failing to shield women from Mr. Ailes's alleged sexual harassment and of condoning retaliation against women who raised the issue with the company. Mr. Ailes was personally named as a defendant in some of the lawsuits.

Lawyers for Mr. Ailes have denied the allegations. Fox News parent 21st Century Fox Inc. has settled some lawsuits with Americans who felt their views weren't being represented sufficiently in the rest of the media. The Fox News slogans "We report, you decide" and "Fair and Balanced" were mocked by rivals but became mantras for the network's talent and audience.

It took Fox News less than six years to surpass CNN in the ratings, but as far as Mr. Ailes was concerned, his news channel would always be the underdog.

After the triumph over CNN, rather than pat his team on the back he lectured them about complacency. "I had to wimp them and get them out of a winning mind-set," he told The Wall Street Journal in a 2003 interview.

and has conducted an internal investigation. It has declined to comment on some cases, and called others opportunistic or needless. 21st Century Fox and Wall Street Journal owner News Corp share common ownership.

Some key questions:

What happens now to the lawsuits targeting Mr. Ailes?

Lawyers will likely have to amend their complaints to direct the lawsuits against Mr. Ailes's estate, according to employment lawyers not involved in the cases. That could delay the timing of any resolution and complicate the plaintiffs' ability to get evidence for the case, they say, especially if they need to subpoena the estate for Mr. Ailes's electronic communications.

Does Mr. Ailes's death make it more or less likely that these cases will settle?

Some legal experts say a settlement may be more likely. It could be challenging for Fox News to mount an aggressive defense without Mr. Ailes's testimony, and the company could have trouble finding other witnesses who could corroborate Mr. Ailes's side of the story during the alleged incidents.

Has this issue come up in other cases?

It isn't uncommon for plaintiffs to seek damages from the estate of a deceased person. For instance, plaintiffs' lawyers say lawsuits are often brought by victims of drunken driving against the estate of a driver who also died in the accident.

—Nicole Hong and Joe Flint

He also loved tweaking rivals. The marketing team at Fox News became known for its aggressive attacks against CNN and MSNBC as well as being more than willing to disparage anyone who might challenge their own credibility or write favorably about their rivals.

"He had enormous skills yet he had this dark side that mobilized his life a lot," said Robert Wright, the former chairman of NBC who hired Mr. Ailes to run CNBC in the 1980s and remained close to him over the years. Mr. Ailes, he said, seemed as if he "had to have a target every day to keep him going." Once you crossed him, Mr. Wright said, he could get very angry.

Mr. Ailes's straddling of the

line between politics and journalism made him a target of media watchdogs, who accused Fox News of being a megaphone for the Republican Party and coarsening the national discourse.

"Through a constant drumbeat of fear, anger, and hatred, he turned citizen-on-citizen," said Jeffrey Jones, director of the Peabody Awards, which are given to broadcasters. "He helped craft an enormous gulf of distrust between people and news."

Mr. Ailes dismissed such criticisms, countering in the authorized biography "Roger Ailes Off Camera" that "we're not programming to conservatives, we're just not eliminating their point of view."

Democrats Seek to Keep ACA Subsidies

By STEPHANIE ARMOUR

More than a dozen Democratic state attorneys general took legal action Thursday seeking to preserve billions of dollars in federal subsidy payments for insurers under a provision of the Affordable Care Act after President Donald Trump threatened to halt the funding.

The group, led by California Attorney General Xavier Becerra and New York Attorney General Eric Schneiderman, filed a motion to intervene in a House Republican lawsuit over the payments. GOP lawmakers have asserted that the payments to insurers are illegal because Congress never appropriated the funding.

The move reflects widening concern over the fate of the payments, which are taking center stage in the health policy debate.

Insurers are warning they will raise premium rates or leave the ACA's fragile exchanges in 2018 if the federal government ends the funding. That could be a near-fatal blow to the exchanges, bringing higher costs and a dearth of insurer options for consumers.

A spokesperson for House Speaker Paul Ryan (R, Wis.) didn't respond to a request for comment.

The federal payments compensate insurers for reducing out-of-pocket costs for some low-income consumers who sign up for plans on the exchanges. They have been estimated at \$7 billion this year, according to the Congressional Budget Office, rising to \$16 billion by 2027.

The payments to insurers have been continuing while the lawsuit is pending, but the Trump administration could decide to end them on its own.

Insurers and Democrats have urged the Trump administration to preserve the payments so markets can remain stable while GOP lawmakers debate their plans to repeal most of the ACA and replace it with a new plan.

The legal motion is the latest counter to the White House by Democratic attorneys general.

A number have supported a lawsuit against the administration's temporary travel ban and fought against Mr. Trump's plan to block federal funding for sanctuary cities, which are local governments that don't coordinate with federal immigration enforcement.

have a real toaster," she said.

But it was too late to return by the time Mr. Reyes bothered looking at his receipt after the holidays. Not long afterward, he was about to leave for a signing with David Lee, a former Warriors star who now plays for the San Antonio Spurs, when he realized he didn't have any memorabilia to bring. So he brought his Warriors toaster.

Mr. Reyes says Mr. Lee reacted to the unlikely autograph request in a way he still remembers: "Is that a Warriors toaster, bro?"

Mr. Thompson also had no idea Warriors toasters existed—which explains his confusion when he was asked to sign one. Because of what happened next, though, he believes as much as anyone in the power of the toaster.

"That guy," Mr. Thompson said of Mr. Reyes, "is responsible for 25 out of 26 wins."

Warriors president of basketball operations Bob Myers added: "We support Klay in all his endeavors."

The lucky toaster is being kept in Mr. Reyes's bedroom—in its original box—while he looks for a worthier display case. He breaks it out in case of emergencies. He fetched it when the Warriors were down by more than 20 points to the Spurs in March. The Warriors rallied to win. And he rubbed the toaster while watching on TV at home when the Warriors were down by more than 20 points to the Spurs last Sunday. The Warriors rallied to win again.

"Shoot, let's keep it going, you know?" Mr. Thompson said.

STREAK

Continued from Page One
pened: The Warriors started winning and haven't stopped. Their record in their past 26 games is 25-1—and Mr. Thompson didn't play in the game they lost. They're undefeated with Mr. Thompson in the lineup ever since he signed a toaster.

"That might be the magic toaster," Mr. Thompson said.

"You never know."

Mr. Reyes's spare toaster has somehow become a talisman for the team with the best record in the NBA.

At the end of March, when the team's winning streak was nine games, Mr. Reyes was invited on 95.7 The Game, a sports-radio station in the Bay Area. He was treated like royalty. "This toaster has become quite important to all Warrior fans," said Joe Fortenbaugh, one of the show's co-hosts. "Are you protecting this thing? Do you need Secret Service?"

At the end of April, as the streak reached 19 games, Mr. Reyes risked a public appearance to attend the opening of a Warriors team store. He wanted Golden State broadcaster Jim Barnett's autograph on the toaster. But first he was approached by his own fans. They wanted selfies with his toaster.

"I've never experienced that before," said Mr. Reyes, a 23-year-old insurance salesman. "I feel like a local celebrity. Which I feel like I am. But only if I have the toaster."

At the beginning of May,



Ronnie Reyes asked Golden State Warriors guard Klay Thompson to sign a toaster. The team has won 25 of 26 games since then.

when the playoffs had begun and the winning streak hit 23 games, Mr. Reyes walked into a family party and was serenaded by chants of "Toaster! Toaster!"

His sister, Rhennell Reyes, a ballroom-dancing instructor, said their relatives bombarded Mr. Reyes with questions about the big development in his life. "The only thing they asked him was: 'How's the toaster?'" she said.

But not everyone has been so reverent. Mr. Reyes called Oracle Arena security and was informed toasters were banned from the stadium. He tried to explain this wasn't a toaster but the toaster. It still wasn't allowed. "Why not?" he said.

The arena says it prohibits "any item deemed by management to be dangerous, inappropriate or disruptive."

He showed up at a recent game with a sign. "THEY WOULDN'T LET ME BRING THE TOASTER IN," it said.

Mr. Reyes rarely uses it even when she makes toast. "We

Mr. Reyes had owned two Warriors toasters for years before anyone outside his immediate family was interested. The second one came from his cousin, Jizel Encarnacion, who drew his name in a holiday gift exchange. It was between the toaster and some underwear, she said. She chose the toaster.

The toaster is officially a Pro-Toast elite toaster that retails for \$39.99 in the NBA's online store. This particular model has been discounted to \$19.99—but it is now sold out. A spokeswoman for the league said it was restocking Warriors toasters this summer with inventory from another brand.

Mr. Reyes says his unsigned Warriors toaster isn't the most practical household item.

"It burns the logo on the bread," he said. "It doesn't really do a good job of toasting in general."

Mr. Reyes rarely uses it even when she makes toast. "We

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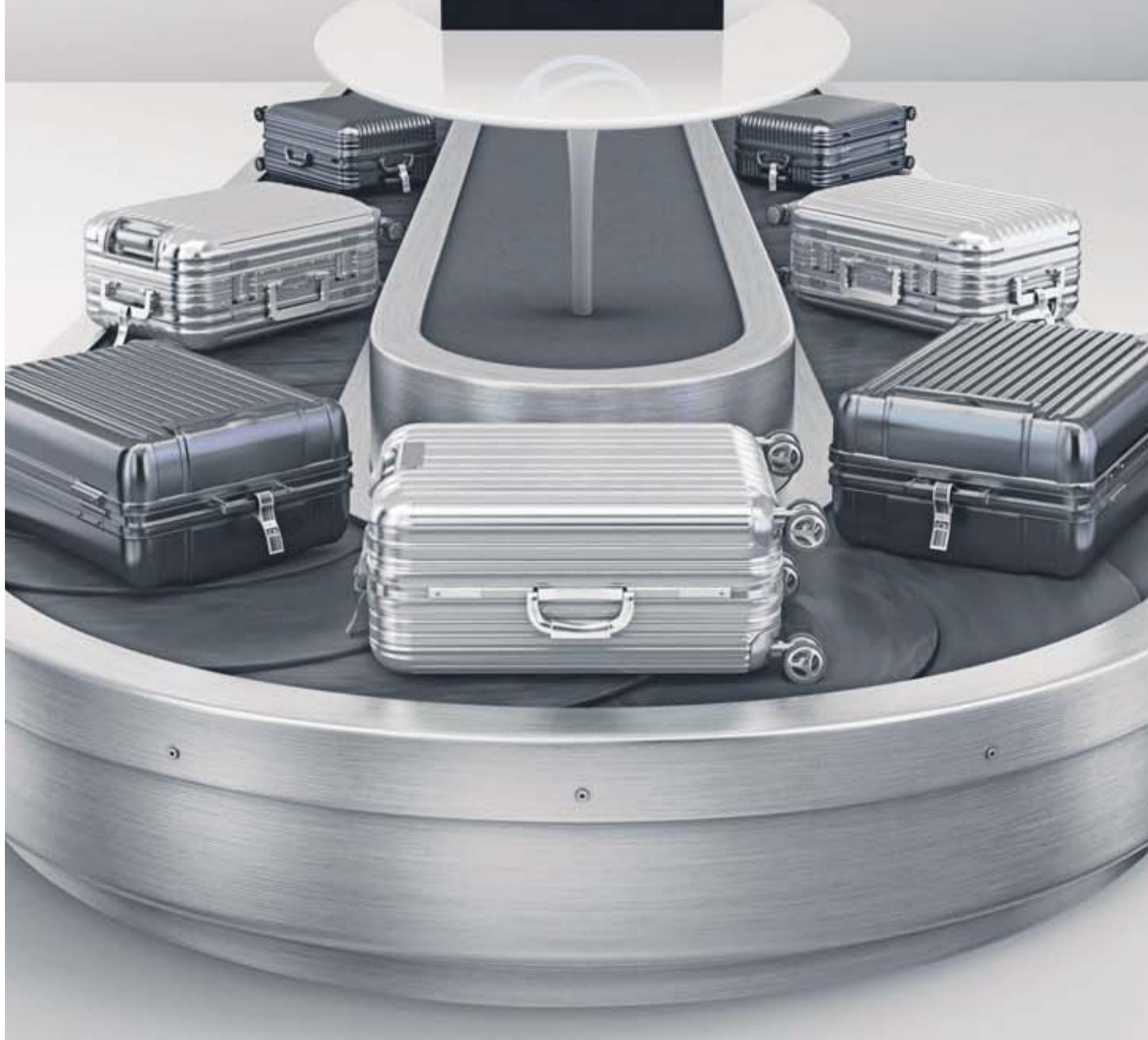
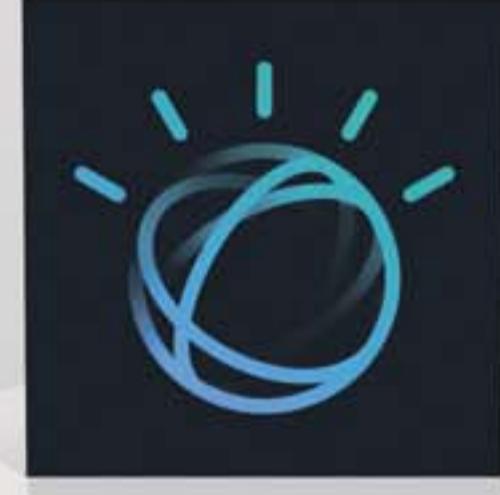


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WORLD NEWS

U.S.-Led Airstrikes Hit Syrian Forces

Coalition attack checks regime forces' advance on rebels at border with Jordan

By MARIA ABI-HABIB

WASHINGTON—The U.S.-led military coalition in Syria launched airstrikes on Syrian forces and their allies as they approached U.S.-backed rebels in al-Tanf, on the border with Jordan, according to American officials, marking an expansion of hostile U.S. action toward the government of Bashar al-Assad.

The strikes hit Syrian and regime-led forces on Thursday to head off their advance on al-Tanf, where U.S. special-operations forces work along with Maghaweer al-Thawra, an elite Syrian rebel force.

"The coalition struck regime elements in the vicinity of Tanf after the regime failed to respond to a warning to stop [the] advance," said one U.S. official briefed of the incident. "There have been worries recently that this would happen as regime and regime-affiliated forces got closer to Tanf."

The U.S. in April struck a Syrian air base with dozens of cruise missiles in response to the regime's alleged use of chemical weapons, in the first such American operation. The strike on Thursday was the first undertaken to safeguard U.S.-backed rebels from pro-Syrian forces, thrusting the more than 500 U.S. personnel in Syria into a new role.

The strike brings the U.S. and the Syrian regime and its allies closer to a full-on military conflict at a time when



A man looking at damage at Zabadani, near Damascus, Syria. U.S. strikes hit Syrian forces near al-Tanf, to the east, close to Jordan.

There was no apparent White House involvement in the strikes. President Donald Trump has turned over such battlefield decisions to combat commanders.

The U.K.-based Syrian Observatory for Human Rights, an opposition monitoring group, said the airstrikes destroyed at least four vehicles carrying regime forces and loyalists heading to the Tanf border crossing, which is controlled by U.S.-backed forces. The group said eight "regime loyalists" were killed in the attack and others were wounded.

U.S. officials said a number of Syrian military vehicles were hit, including a tank, resulting in an unknown number of casualties.

A spokesman for Maghaweer al-Thawra, the rebel force working with the U.S. in this area, said the strike targeted a Syrian regime tank convoy. A spokesman, Mozahim Alsalam, said an F16 airstrike and antitank missiles destroyed the convoy.

The Syrian government is supported by Russian forces, the Lebanese militant group Hezbollah, Iraqi Shiite militias and Iran.

The strike is the latest incident along Syria's border with Jordan, and occurred close to a base where the U.S. has been training some rebel fighters. The base at Tanf was hit last summer by Russian aircraft, and has been used by British, Norwegian and U.S. special-operations forces, including their Syrian rebel allies.

—Nour Alakraa, Noam Raydan, Gordon Lubold and Ben Kesling contributed to this article.

the U.S. and Russia are discussing ways to de-escalate and find ways to avoid striking each other in Syria.

Defense Secretary Jim Mattis said the strike was necessary in part to defend the area where U.S. forces and their allies operate.

"We are not increasing our role in the Syrian civil war, but we will defend our troops," Mr. Mattis told re-

porters at the Pentagon, referring to both American and U.S.-backed forces. "And that's been a going-in policy of ours for a long time."

Still, the strike adds yet a new layer of complexity to the already chaotic Syrian battlefield and underscored the fluidity of alliances there. Damascus and Moscow representatives didn't respond to requests to comment.

A Pentagon statement said Russia attempted to dissuade the advance of the pro-Syrian forces, but failed in its effort. The advancing forces also failed to respond to a show of aircraft force and to warning shots, the Pentagon said.

It was unclear what elements of the Damascus-aligned forces the coalition airstrikes hit. The Pentagon said they were pro-regime forces, while

other American officials said they were regime personnel.

American officials said they had been watching regime-led forces gradually advance toward their base in Tanf over the past week with concern.

With Thursday's strikes, the "mood is a bit worried but resolved," said a U.S. official monitoring the strikes. "But obviously [there's] concern over repercussions."

NATO Weighs Stronger Presence in Atlantic, Arctic

BY JULIAN E. BARNES

BRUSSELS—The North Atlantic Treaty Organization is considering reviving a Cold War naval command to counter Moscow's increased submarine activity in the Arctic and protect Atlantic sea lanes in the event of a conflict, allied diplomats and officials briefed on the planning work said.

Discussions about bringing back NATO's old Atlantic Command indicate that the alliance remains focused on improving allied defenses against a resurgent Russia despite the Trump administration's demand for a greater focus on counterterrorism.

Top military officers from NATO nations, including the chairman of the Joint Chiefs, U.S. Marine Gen. Joseph Dunford, gathered in Brussels this week received a briefing on a review of the command structure, including options for the Atlantic post.

Military planners and defense experts warn that Russia's submarine fleet is increasingly able to operate in the Arctic and North Atlantic without detection, as NATO's ability to monitor its activities have declined since the Cold War.

Developing strategies to protect Atlantic sea lanes has risen in importance amid an alliance resurrection of Cold

War-era command may be revived to monitor Russian activity.

War plans for moving heavy military equipment rapidly from the U.S. to Europe in case of a confrontation with Russia.

If that were to happen, military planners and defense experts believe Russia's submarine fleet could complicate protecting U.S. convoys.

Researchers from the Center for a New American Secu-

rity, a Washington-based think tank, recently briefed NATO Secretary-General Jens Stoltenberg on military challenges in the Arctic and Atlantic. They laid out results of war-game simulation in which Russian subs interrupt an alliance military exercise, attack a U.S. military transport ship, and cut an undersea cable between Iceland and Canada, interrupting global communications.

An allied command focused on those issues, NATO officials briefed on the review said, could help create war plans to overcome challenges and prod allies to make crucial investments in surveillance planes, ships and other military hardware.

Czech Army Gen. Petr Pavel, the chairman of NATO's military committee who is leading the review, said new challenges, like Russia's use of so-called hybrid or nontraditional military tactics, as well as separate rising terrorism threats, necessitate the review. He declined to discuss details.

From 1952 to 2003, NATO had a Supreme Allied Commander, Atlantic, usually an admiral, with headquarters in Norfolk, Va., who focused on plans to ship war materiel to Europe from the U.S.

NATO aims to complete its command structure review by February. But before then, alliance diplomats must hash out

delicate political questions about what NATO member would lead the command, the precise responsibilities and where it would be located.

The deployment of a new 4,500-strong NATO force to the Baltic Sea region has increased the need to ensure the allies have the freedom to use the Atlantic Ocean to reinforce the forward-positioned troops, an alliance official said.

The U.S. has allocated money to modernize Iceland's Keflavik Air Station. But Jerry Hendrix, a defense fellow at CNAS, said more allied resources including patrol boats, submarines and additional aircraft are needed for the Atlantic and Arctic.

Egypt, Saudi Arabia Draw Closer Ahead of Trump Trip



Saudi King Salman and Egypt's President Abdel Fattah Al Sisi in Riyadh in April.

would be anchored on an alliance between Saudi Arabia and Egypt. Mr. Trump is kicking off his first foreign trip as president with this weekend's summit of Arab and Muslim nations convened by King Salman in Riyadh that will also be attended by Egypt's President Abdel Fattah Al Sisi.

Just a few months ago, Egypt and Saudi Arabia were barely on speaking terms. Saudi Arabia threw a financial lifeline to Mr. Sisi after he overthrew President Mohammed Morsi of the Muslim Brotherhood in 2013. Egypt, however, didn't share Saudi hostility to the Syrian regime

and provided only lukewarm support for Saudi Arabia's war against pro-Iranian militias in Yemen. After the U.N. vote, Riyadh indicated its displeasure by withholding subsidized fuel supplies from Egypt.

Then, in January, an Egyptian court blocked a deal under which Mr. Sisi had agreed to transfer two uninhabited Red Sea islands to Saudi control. Relations continued to deteriorate until the Egyptian leader and King Salman finally agreed to disagree at an Arab League summit in Jordan in March. Fuel supplies have been restored and Mr. Sisi was welcomed with honors last month in Riyadh.

At a time when Syria, Libya, Yemen and Iraq are consumed by wars, a feud between Cairo and Riyadh was a luxury neither country could permit, said Nabil Fahmy, who served as Mr. Sisi's foreign minister in 2013-14. "There will be points of agreement and points of disagreement but we need to manage them on both sides," said Mr. Fahmy, currently a professor at the American University in Cairo.

Mr. Sisi agreed a year ago that the two islands—Tiran and Sanafir, at the mouth of the Straits of Tiran that guard maritime access to Israel's and Jordan's Red Sea ports—belong to Saudi Arabia. Under a

1950 deal between the two countries, Saudi Arabia allowed Egypt, then a much mightier military power, to take control of the islands as part of the confrontation with Israel. That fact, however, was little known in Egypt—and the surprise decision to transfer the islands sparked rare street protests against Mr. Sisi.

While the islands deal is still making its way through the courts and Egypt's parliament, officials in Cairo suggest the actual handover won't happen anytime soon because Mr. Sisi, amid Egypt's economic crisis, is loath to spark renewed protests.

In Riyadh, that is a detail that officials prefer not to notice in public. In a rare TV interview this month on the Saudi-owned Al Arabiya channel, the kingdom's powerful Deputy Crown Prince Mohammed bin Salman said he had no doubt that the island issue will be resolved in time for one of the kingdom's major infrastructure projects—the King Salman Bridge that would link Egypt and Saudi Arabia via the disputed islands—to be started by 2020.

It is only Iran and the Muslim Brotherhood that are trying to provoke a quarrel between Cairo and Riyadh, he added. "Relations with deep roots do not get affected in any way whatsoever," Prince Mohammed said. "In the history between Egypt and Saudi Arabia, the two countries have always stood with each other during all circumstances and during all times and this has not changed."

Alliance Seen As Close to Joining Fight Against ISIS

BY JULIAN E. BARNES

BRUSSELS—The North Atlantic Treaty Organization is likely to formally join the coalition against Islamic State at a meeting of the top alliance leaders next week, officials said.

NATO Secretary-General Jens Stoltenberg on Thursday said the move was still under discussion and no final decision has been made. But he highlighted the advantage of NATO joining the coalition, a shift in tone that officials said was a sign of emerging consensus within the alliance.

NATO joining the coalition is largely a formality. All NATO countries are also members of the broader U.S.-led coalition against Islamic State. Mr. Stoltenberg said it is difficult to make a distinction between the NATO organization and NATO members.

France, Germany and other allies have voiced skepticism about the move. Some allies fear it could open up NATO to take a combat role or put more of the cost of the coalition on the alliance. Others have said it would marginalize Arab nation's contributions to the fight. NATO diplomats have until Friday to voice objections to the move.

Top NATO leaders, including President Donald Trump, will gather May 25 in Brussels to discuss the alliance's counterterrorism work and efforts to boost European military spending.

WORLD NEWS

Brazilian Graft Probe Extends To President

BRASÍLIA—Brazil's President Michel Temer is under investigation in connection with a sprawling corruption scandal, the country's Supreme Court said Thursday, as opponents called for his impeachment and financial markets plunged in Latin America's biggest country.

By Paulo Trevisani,
Luciana Magalhaes
and Jeffrey T. Lewis

The high court confirmed the investigation into the president a day after Brazilian newspaper O Globo reported that prosecutors had recordings of Mr. Temer from March purportedly encouraging a corporate executive to keep making payments to silence former Speaker of the House Eduardo Cunha, who was convicted that month of corruption and money laundering.

Mr. Temer denied wrongdoing in a televised appearance Thursday, saying he wouldn't step down. "I did not buy anyone's silence," he said. The president added he had asked Brazil's Supreme Court for access to any allegedly incriminating evidence but hadn't received it.

The Ibovespa stock index closed 8.8% lower Thursday after declining as much as 10% earlier in the day, prompting the stock market to suspend trading for the first time in almost nine years. Brazil's currency, the real, tumbled 8% to 3.3 against the dollar from 3.13 the day before.

The recordings first obtained by O Globo were released to reporters by Brazil's Supreme Court on Thursday evening. They were made by Joesley Batista, chairman of JBS SA, the world's biggest meatpacking firm, as part of a plea deal with prosecutors related to the country's massive Car Wash investigation into graft, the Supreme Court and prosecutors said.

Mr. Batista can be heard saying he is "alright with Ed-

uardo." Mr. Temer interjects with, "You have to maintain that, alright?"

It wasn't immediately clear whether the two were discussing monthly payments for Mr. Cunha to remain quiet, as O Globo had reported.

But Mr. Temer can be heard murmuring expressions of solidarity throughout the recording, even as Mr. Batista describes things like obtaining confidential information about the investigation from a federal prosecutor.

Although the recording didn't necessarily show Mr. Temer approving bribe payments as O Globo's report alleged, the chat between the country's president and a top political donor under investigation for alleged corruption left many Brazilians appalled.

"As president, or even just as a public servant, if he knows these things are going on and doesn't do anything—that is still a crime," said Ivar Hartmann, a law professor at Getúlio Vargas Foundation in Rio de Janeiro.

A lawyer for Mr. Cunha declined to comment. Lawyers for JBS also declined to comment.

Mr. Batista, in a statement sent by WhatsApp to reporters Thursday night, acknowledged that his family's holding company, J&F Investimentos, which controls JBS, had committed wrongdoing.

Mr. Batista said the Brazilian political system pushed the company to make improper payments to public agents, something he said didn't occur in other countries. He promised J&F will no longer tolerate corruption and said J&F executives have signed agreements with prosecutors.

"We made mistakes and we apologize," Mr. Batista said in the note.

The recordings have had an immediate impact on the president's political standing. The Podemos Party on Thursday announced its 13 deputies were leaving the government's



President Michel Temer, right, leaving Brasília's Jaburu Palace on Thursday, when the Supreme Court said he was under investigation.



Protesters in Brasília holding a sign that reads 'Out With Temer.'

coalition in the lower house of Congress. The opposition party Rede filed an official impeachment request in the lower house, and other opposition politicians called for Mr. Temer's resignation or impeachment.

Within hours of the report's release, spontaneous protests erupted in São Paulo and Brasília calling for Mr. Temer's departure.

"I have no doubt Temer's presidency is over. My main

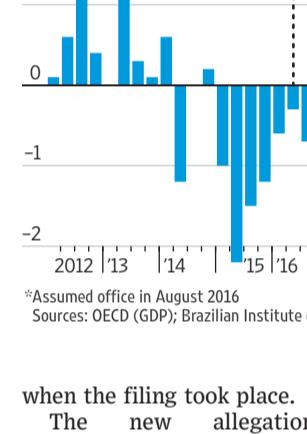
problem today is that I don't know who will be Brazil's president next week," said Pedro Paulo Silveira, chief economist at the Nova Futura brokerage in São Paulo.

"Some politicians continue to use their parties and their seats to commit crimes against the State and the society," Brazil Attorney General Rodrigo Janot said in documents filed to the Supreme Court, according to a statement from his office on Thursday. It didn't say

Rough Footing

Brazil's President Michel Temer has contended with a shrinking economy and rising unemployment.

Quarterly change in GDP



*Assumed office in August 2016

Sources: OECD (GDP); Brazilian Institute of Geography and Statistics via CEIC Data

THE WALL STREET JOURNAL.

when the filing took place.

The new allegations stunned a country that has been repeatedly roiled over the last three years by a spectacular investigation exposing what is widely seen as the world's biggest corruption scheme to date, centered on kickbacks worth billions at state-run oil giant **Petróleo Brasileiro SA**.

The probe, called Operation Car Wash, has led to the arrest of scores of the country's lead-

ing business figures and politicians, including Mr. Cunha. As the probe has continued, it has ensnared growing numbers of politicians. Roughly a third of Mr. Temer's cabinet are under formal investigation.

The allegations are the biggest blow to Mr. Temer since he took the presidency following the impeachment of his predecessor, Dilma Rousseff.

◆ Global emerging markets hit the skids..... B11

Trump Administration Makes First Move to Revamp Nafta

BY WILLIAM MAULDIN

WASHINGTON—The Trump administration took the first step toward renegotiating the North American Free Trade Agreement, plunging into a battle that pits some Republicans and industry supporters of the pact against Democrats and some of the president's most ardent backers.

In a letter to congressional leaders on Thursday, U.S. Trade Representative Robert Lighthizer said the administration would start talks on the 23-year-old deal in as few as 90 days.

The negotiations stand to put President Donald Trump into a politically tight spot at a time when the current political turmoil already threatens to hold up parts of his agenda.

While both sides concede Nafta needs updating, the congressional Republicans most likely to support a final deal would rather see a tweaking, since a significant overhaul or major new provisions could end up eroding the benefits companies and farmers get from reliable, duty-free exports to Canadian and Mexican markets.

"There is no question that Nafta has been tremendously successful," said Rep. Kevin Brady (R., Texas), chairman of the House Ways and Means Committee, which oversees trade. "We look forward to working with the administration to strengthen the agreement in a seamless way."

Business groups on Thursday warned the Trump administration to avoid putting Nafta's benefits at risk.

"First, we must do no harm," the U.S. Chamber of Commerce said.

But many Democrats say they will try to hold the administration to its promises on labor and environmental standards, a ban on currency manipulation and novel rules to bring back manufacturing jobs.

"For those of us who believe that U.S. trade policy and Nafta need fundamental re-



A transport vehicle hauled Toyota trucks into the U.S. near San Diego from Mexico last month.

A Letter Tracks Evolution on Trade

WASHINGTON—The letter sent by the Trump administration on Thursday to Congress kicking off the North American Free Trade Agreement renegotiation process shows the evolution of the administration's tone and tactics from late March, when a preliminary draft had circulated on Capitol Hill.

The new version strips out the earlier harsh antidote rhetoric about the problems with

Nafta, gives more prominence to the role of Congress—and is con-

siderably shorter, and more vague—giving U.S. negotiators more flexibility as talks progress.

The new document reflects the expert hand of Robert Lighthizer, a Washington trade-policy veteran, who was appointed as President Donald Trump's U.S. trade representative on Monday.

Mr. Lighthizer has said he shares the president's general desire to create a new, harder-line American trade policy. But he is now applying to that goal a savvier approach toward navigating the system.

Here is a look at some of the big changes.

Length: The old draft was eight pages long, while the new

one is less than 1½ pages.

Trade Rhetoric: The old draft was filled with Mr. Trump's campaign-style rhetoric, stating that the 2016 election was a referendum to "rethink the issue of trade." Those passages are gone from the new version.

Congress: Both the old and new drafts mention "consulting closely with Congress." But the new one has more frequent, prominent, and specific mentions of the legislative role in the process. The new version ends like this: "we commit to working with you closely and transparently throughout the process."

—Jacob M. Schlesinger

business-friendly Republicans and the economic nationalists who frequently join with liberals in calling for measures at the border to protect American workers from unfair competition. Just three weeks ago, Mr. Trump threatened once again to pull out of the deal altogether.

Like most U.S. congressional Republicans, Mexican and Canadian officials are also wary

of major changes that could hurt their exports to the U.S. or even alter the three-way framework that underpins Nafta.

"We do have a preference: The agreement is trilateral and should continue to be a trilateral platform," Mexican Foreign Minister Luis Videgaray told reporters at a briefing with U.S. Secretary of State Rex Tillerson in Washington. Chrystia Freeland, Canada's foreign minister,

told reporters in Ottawa that the talks "need to be conducted in a trilateral fashion," and that officials there are "ready to roll up our sleeves."

Mr. Lighthizer said he hopes to preserve Nafta's existing structure but that many of the negotiations would be conducted bilaterally. "If that proves to be impossible, then we'll move in a different direction," he said, not ruling out changes to Nafta's structure.

Canada and Mexico have only limited room to make deep concessions given their domestic political situations, and Mexico has elections next year that could complicate any protracted talks. Washington's current political upheaval—and Mr. Trump's trade-related threats to neighbors—could also derail a deal.

"To say that there are a number of distractions for the White House and the entire administration is an understatement, so that does create an anomaly in what would otherwise be a straightforward negotiation," said Peter MacKay, former Canadian foreign minister and partner at the Toronto office of law firm Baker McKenzie.

Mexican officials sent notice to the country's lawmakers months ago that they are ready to begin talks. Mexico has the most at stake in any renegotiation, since exports account for more than a third of its economy, and 90% of its exports are manufactured goods, mostly sent to the U.S.

Héctor Larios Córdova, a senator from the Mexican border state of Sonora, said the notification is "good news, because Mexico has been caught in tremendous uncertainty since the beginning of the new U.S. administration."

Mr. Trump was elected in part with a message of regaining American manufacturing jobs, and Mr. Lighthizer said manufacturing would be a key focus of the talks, which he said he hopes to wrap up by the end of the year. Labor stan-

dards, included as an annex to the original Nafta deal as implemented in 1994, will be front and center in this year's talks, Mr. Lighthizer said.

While many business and farm groups emphasized the need for preserving their current access to markets in Canada and Mexico, the technology sector and some other industries are looking to benefit from new provisions.

A group representing Detroit auto makers—the American

The split in Congress mirrors a division in the Trump administration.

Automotive Policy Council—said the talks are a "significant opportunity to update Nafta in a way that will increase the export of more American vehicles and auto parts."

Although many Detroit parts suppliers have moved to Mexico, economists say Nafta has helped the North American auto industry as a whole compete against Europe and Asia. Stronger rules on which cars can be traded duty-free could add to their advantage.

An earlier draft letter hinted at several controversial provisions that could be included in Nafta talks, including a mechanism that would apply tariffs to a flood of imports and a potential tax that Trump officials argue would level the playing field with Mexico's value-added tax. The letter actually sent to Congress, however, doesn't go into specifics on negotiating objectives. Mr. Lighthizer said the objectives will be spelled out at least 30 days before Nafta talks start, in line with a 2015 trade law that lays out Washington's procedures for negotiating and approving deals.

—Jacob M. Schlesinger, Paul Vieira and Robbie Whelan contributed to this article.

WORLD NEWS

U.K. Tories Ease Tone on Brexit

Party manifesto suggests a financial deal is possible with the EU upon breakup

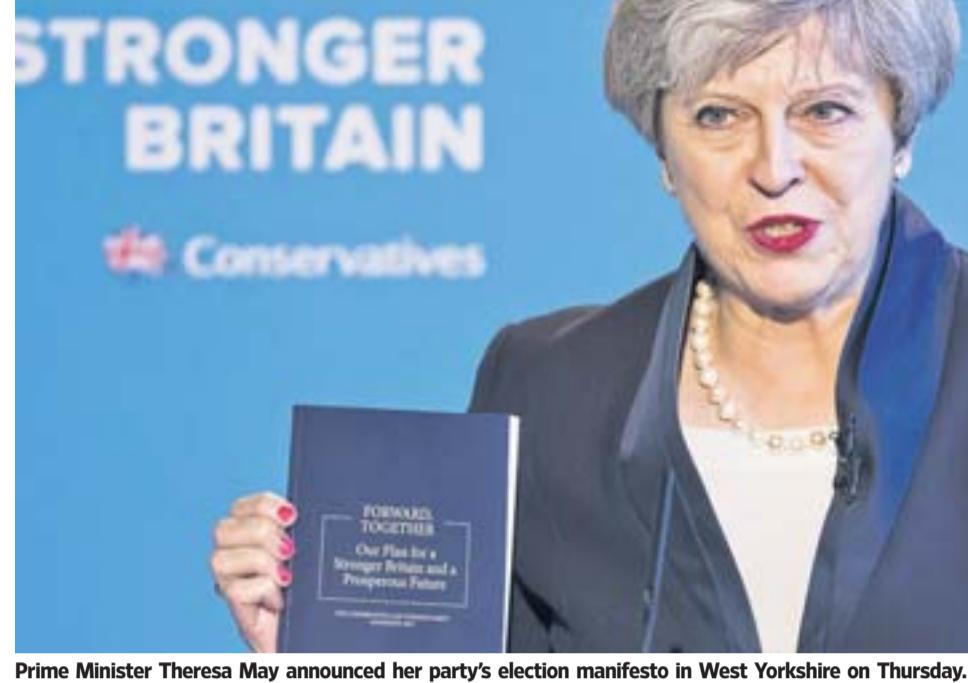
BY JASON DOUGLAS

LONDON—The U.K.'s governing Conservative Party opened the way to some financial settlement with the European Union after Brexit, appearing to soften its stance on a likely early sticking point in coming negotiations, as it published its manifesto for a national election on June 8.

The party, which opinion polls suggest will win the election with an increased majority, confirmed it intended to extract Britain from the bloc's customs union as well as its single market for goods and services.

The manifesto reiterated Prime Minister Theresa May's stance that Britain is prepared to walk away from talks if it can't reach a satisfactory deal in the talks. "[We] continue to believe that no deal is better than a bad deal," it said.

Analysts said including these and other commitments in the election manifesto could help Mrs. May overcome any lingering parliamentary resistance if she wins a comfortable majority. A parliamentary convention



Prime Minister Theresa May announced her party's election manifesto in West Yorkshire on Thursday.

means the unelected House of Lords—a majority of whom have strong qualms about exiting the EU—don't normally oppose manifesto pledges.

"This suggests that May has an eye on the parliamentary battles that could lie ahead if the talks collapse," said Muttaba Rahman, head of Europe at risk consultancy Eurasia Group.

The manifesto said Britain will agree to a "fair settle-

ment" to honor past commitments to the EU budget not yet paid, but stressed "the days of making vast annual contributions to the European Union are over." That paves the way for a deal on money that had threatened to upset the early stage of talks.

Some European officials estimate the bill for Brexit could be as high as €100 billion (\$112 billion), payable over a

number of years, though British ministers say they won't pay anywhere near as much.

Mrs. May had previously signaled her plan to leave the single market—the EU's zone of common regulation of goods and services—but had hinted at a departure from the customs union, which places a common set of tariffs on products coming into the bloc. The U.K. is expected to formally withdraw

from the EU in early 2019.

In a speech launching the Conservatives' policy proposals, Mrs. May described Brexit as "a chance to step back and ask ourselves what kind of country we want to build together."

She said the U.K. wants negotiations on the terms of withdrawal and a future free-trade accord to go in parallel during the two-year window for talks—a demand European leaders have resisted.

In a step back from the free-market conservatism that has animated successive Conservative governments, especially those led by former Prime Minister Margaret Thatcher, the manifesto pledged to put the state "squarely at the service of ordinary working people," with promises to cap energy prices and increase government scrutiny of foreign takeovers of British companies.

Opinion polls show a commanding lead for the Conservatives. A poll of 1,861 adults published Thursday by YouGov PLC put support for the ruling party at 33% and the main opposition Labour Party at 25%, with the remainder undecided, or planning to vote for smaller parties or abstain. Under Britain's winner-takes-all electoral system, such a win could translate into a large majority of seats in Parliament.

ECB Wary Of How to Speak of Tapering

BY TOM FAIRLESS AND TODD BUELL

FRANKFURT—The European Central Bank is focused on avoiding a policy error committed four years ago by the U.S. Federal Reserve.

When the Fed indicated—on May 21, 2013—that it would gradually wind down its \$85-billion-a-month bond-buying program, asset prices and currencies plunged around the world in an episode known as the taper tantrum.

Now, as the economy on the other side of the Atlantic starts to recover, investors are watching for signs of a similar policy turn from the ECB.

Bank officials have acknowledged the improved economic outlook. But they have yet to make any change to their aggressive monetary stimulus, which includes €60 billion, or about \$67 billion, a month of bond purchases and subzero interest rates.

That is partly the Fed's fault: ECB officials worry that even a small change in communications could ricochet through financial markets, undoing their extensive efforts to support growth and inflation.

"You all remember the 'taper tantrum' in the U.S., and I think the central banks prove to be good learners," Bostjan Jazbec, who sits on the ECB's 25-member rate-setting committee, told The Wall Street Journal on Wednesday.

The ECB has a history of raising interest rates too early in the economic cycle. In 2008 and 2011 the central bank raised rates just before the economy sank into recession.

But if the ECB is seen to be responding too slowly to a changed outlook, it could lose credibility with investors. That would make it harder to control inflation.

WORLD WATCH



COLLAPSE IN COLOMBO: Sri Lankan rescue workers look for survivors of a building collapse in the island nation's biggest city.

VENEZUELA Opposition Leader Barred From Leaving

Prominent Venezuelan opposition leader Henrique Capriles said he was barred from leaving the country after authorities seized his passport while he was en route to the United Nations to denounce rights abuses by President Nicolás Maduro's government.

The two-time presidential candidate was scheduled to fly to New York but was stopped by immigration officials at the

airport near Caracas, where street protests calling for an end to Mr. Maduro's authoritarian rule raged for the seventh straight week.

Looting and civil unrest have cost at least 44 lives since the beginning of April.

—Kejal Vyas

GREECE Legislature Passes Austerity Measures

The Greek Parliament approved fresh austerity measures and economic reforms the coun-

try must implement in the next four years to unlock a much-needed cash payment to meet coming debt obligations.

The approval paves the way for eurozone finance ministers to approve the next disbursement of funds to Greece when they meet Monday. At that meeting, they will also discuss ways to lighten the country's crushing debt burden.

The measures voted on Thursday include a new round of pension cuts totaling 1% of GDP that will come into effect in 2019.

—Nektaria Stamouli

THE FUTURE OF EVERYTHING

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IN DEPTH

DRUG

Continued from Page One
later overruled. The Wall Street Journal found that a majority didn't know how Sarepta's consultant had helped the parents prepare for FDA hearings.

"More might have voted no if they were aware," said Dr. Bruce Ovbiagele, a committee member, when he learned the role the company consultant had played.

Relationships between companies and advocacy groups are important to know about, said Dr. G. Caleb Alexander, co-director of the Johns Hopkins Center for Drug Safety and Effectiveness, who served as chairman of the FDA's advisory committee. "The advisory committee received little information about how that played out in the development of eteplirsen."

Companies that need Washington have turned to new, often untraceable tools—including hidden involvement with grassroots organizations—to lobby decision makers and help sway public opinion. Many of these emerging tactics fall outside the government's longstanding definition of lobbying and remain masked to both officials and the public, making it hard to know how companies are interacting with the people charged with running the country.

Eteplirsen's drug application coincided with a shift at the FDA to give a larger role to patient families and advocacy groups. The change helped propel the drug-campaign effort by Sarepta and parents.

"The FDA's regulatory decision-making on medical products is science-based and involves the careful evaluation of risks and benefits for the drug at issue and is informed by science, medicine, policy and judgment," the agency said.

This account of the drug's FDA application is based on interviews with parents, company officials, investors and current and former FDA officials.

When Ms. McNary first talked with Mr. Garabedian in 2012, his company was approaching the one-year mark in a clinical trial of eteplirsen.

DMD, a genetic disorder that targets boys, is usually diagnosed around kindergarten. It saps strength and by adolescence leaves many of its victims in wheelchairs. Boys with DMD lack the protein dystrophin, which is critical to muscle function. In time, their hearts and respiratory systems stop working. Few survive past their 20s.

Researchers believed eteplirsen could help patients produce enough of the missing protein to slow DMD's progression.

"This drug works," Ms. McNary said, introducing herself to Mr. Garabedian at the DMD conference. Her son, Max, 10 years old at the time, was one of a dozen boys enrolled in the eteplirsen drug trial at the Nationwide Children's Hospital in Columbus, Ohio. After four months on the drug, she said, Max could open a milk carton and needed a wheelchair less often.

Ms. McNary turned out to be the cheerleader Mr. Garabedian needed. His company had just been warned by the Nasdaq Stock Market that its share listing might be dropped from the exchange for trading below \$1.

Mr. Garabedian told the Journal his company was having trouble raising money after it had spent \$30 million on eteplirsen in the 18 months since he had joined as CEO.

Before eteplirsen would be available to the 1,000 or more sick boys who might benefit in the U.S.—and before the company could charge patients more than \$300,000 a year for the treatment—the drug needed FDA approval.

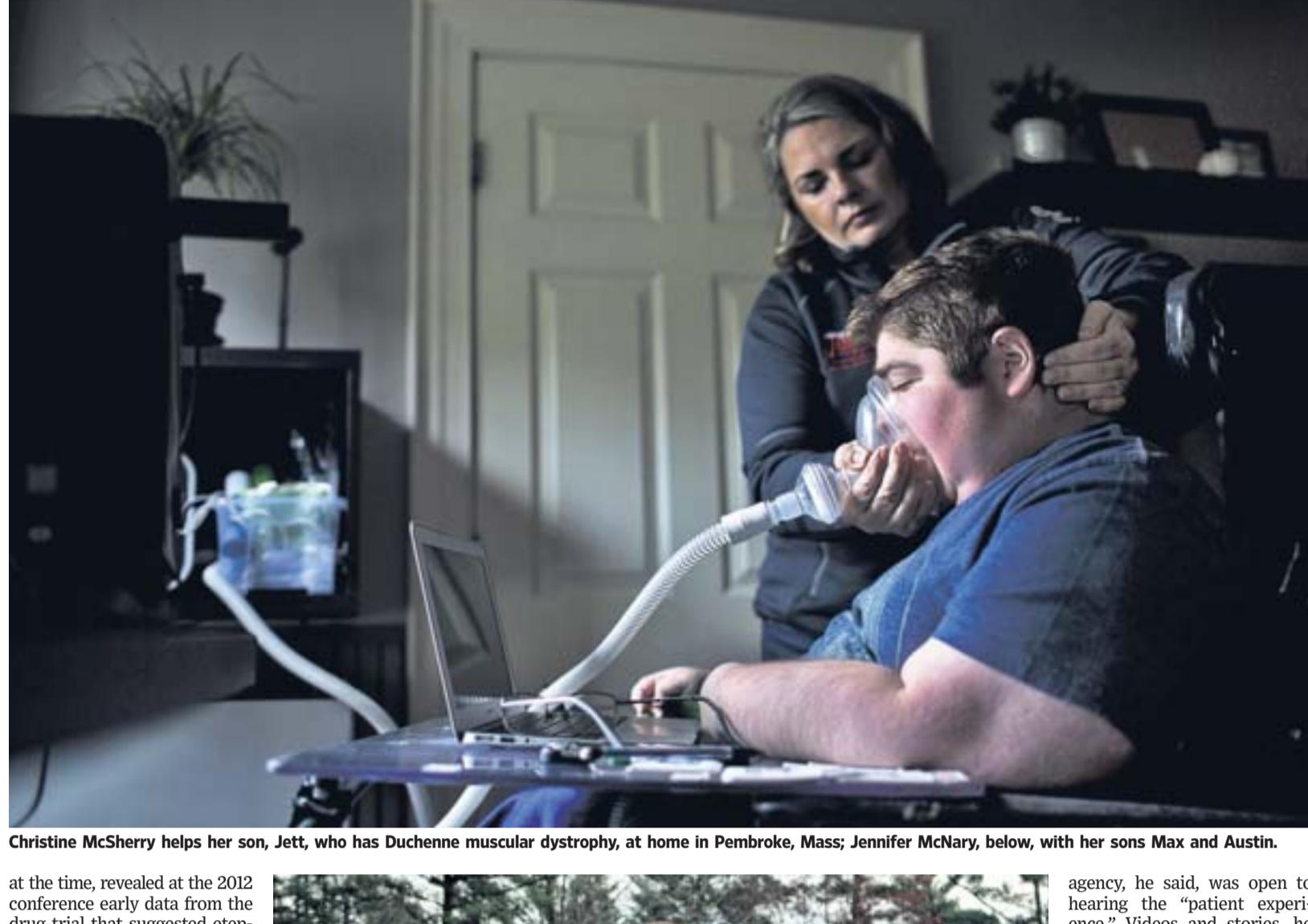
Looking back, Catherine Collins, whose son has DMD, said, "Sarepta used the parents to push their regulatory agenda. We were willing participants, but they were trading on our desperation."

Edward Kaye, Sarepta's chief executive since 2015, said the company was "able to make a true partnership" with DMD patient groups, helping parents give the FDA firsthand observations of how the drug had worked for their sons.

Former FDA Commissioner Robert Califf, who stepped down in January, said the Sarepta case was "an example where things should have been done better...There should be disclosure of the source of documents and presentations, and who was involved."

Hopeful shortcut

Mr. Garabedian and Dr. Kaye, the firm's chief medical officer



Christine McSherry helps her son, Jett, who has Duchenne muscular dystrophy, at home in Pembroke, Mass.; Jennifer McNary, below, with her sons Max and Austin.

at the time, revealed at the 2012 conference early data from the drug trial that suggested eteplirsen was working.

With the stock trading below \$1, Mr. Garabedian didn't have the luxury of waiting to spread encouraging news. Trial researchers were measuring levels of the protein dystrophin in the patients and how far they could walk in six minutes.

Dr. Kaye said it appeared the drug helped lift dystrophin levels. And 10 of the 12 boys in the trial walked, on average, more than 50 feet farther during the timed walk, he said.

Two weeks after the conference, the company made a 1-for-6 stock split, which raised its share price and allowed it to keep its Nasdaq listing. It also changed its name to Sarepta from AVI BioPharma Inc.

The company in a July 24 news release said the boys showed "significant clinical benefit" after 36 weeks of treatment. Shares jumped past \$8. Another positive news release at the 48-week mark pushed the stock close to \$45.

Even with the promising news, Mr. Garabedian's firm had concerns about whether it could raise enough money to support third- and fourth-phase drug trials, which must show drugs work effectively and safely.

One shortcut was accelerated approval—that's when the FDA gives permission to dispense a drug before proving a clinical benefit. It allows patients a quicker chance at treatment for maladies that have none, such as DMD. Sarepta's application would rely on trial data showing that eteplirsen would be "reasonably likely" to produce a clinical benefit, rather than proving it.

That fall, Mr. Garabedian met Christine McSherry, a former nurse of Pembroke, Mass., whose son, Jett, now 21, had been diagnosed with DMD on his fifth birthday. She began speaking regularly with Mr. Garabedian and other Sarepta managers to learn about the FDA's regulatory machinery.

Ms. McSherry and Ms. McNary, who was living in Vermont, had met at a camp for boys with DMD in 2011. Ms. Mc-



Sherry's son didn't qualify for the eteplirsen trial because he could no longer walk. Ms. McNary's oldest son, Austin, couldn't join for the same reason. Her son Max was in the trial and seemed to improve.

Volume in Sarepta stock soared as investors followed online posts by parents. On Oct. 31, Ms. McNary's husband at the time posted a video of Max walking in a Halloween parade. Shares jumped 10% the next day.

The parents' stories of improvement and the FDA view of the data were in conflict.

"A big reason investors got more interested in this than they would have in other situations was you had these mothers saying the drug was helping their son," said investment manager Brad Loncar, who bought company shares.

In February 2013, Ms. McSherry and Ms. McNary met with FDA officials. A 2012 law encouraged the FDA to be flexible with applications for therapies to treat such life-threatening

diseases as DMD. That day, the two mothers met Janet Woodcock, the FDA's director of the Center for Drug Evaluation and Research. Dr. Woodcock told them to call anytime.

"Janet had the attitude that if the public called on her, she would take a meeting if she could," Ms. McSherry said. She and Ms. McNary met with Dr. Woodcock and two other top FDA officials in April 2013. Ms. McNary talked about how the drug was helping Max and showed a video of him walking.

Ms. McSherry said the FDA told the women to collect videos, and that even showing how a child could better comb his hair was important.

By fall 2013, the Sarepta campaign had a setback. A competitor, GlaxoSmithKline PLC, had completed three trials of a DMD drug that, similarly to eteplirsen, also sought to raise dystrophin levels. Results of the trials, involving 290 patients, weren't persuasive.

"Any effect on dystrophin appears to be small as to be unlikely to have resulted in clinical benefit," the FDA said later in agency documents.

The FDA met with Sarepta to tell the firm that GlaxoSmithKline's study raised doubts about eteplirsen, Sarepta re-

counted in a Nov. 12, 2013, news release. Share prices fell 64% from the previous day to \$13.

Eyewitness evidence

In May 2014, Frank Sasinowski recognized Max McNary in the cafeteria of the Nationwide Children's Hospital from his family's social-media posts, and he introduced himself to Ms. McNary. Mr. Sasinowski, a former FDA lawyer, was hired by Sarepta to help get government approval for eteplirsen.

Ms. McNary had already proven herself an effective advocate, garnering several news stories in print and on TV about how eteplirsen was helping her son Max. Mr. Sasinowski gave her his card and said they should stay in touch.

He was at the hospital because the FDA had asked for a review of the trial results. The FDA later said the data was "uninterpretable," "unreliable" and "misleading," according to FDA documents.

The findings hadn't been made public. Sarepta said in an Oct. 27, 2014, news release the FDA had found "marked disparities" in the data. The stock price fell more than 30% from the previous day's closing.

Three more researchers who re-examined the trial data found that eteplirsen produced only a nominal increase in dystrophin in some patients, the FDA said, not the "significant" increase Sarepta had earlier indicated.

Mr. Sasinowski, Ms. McNary and Ms. McSherry had a plan to show the boys' improvement from the point of view of families and caregivers. Mr. Sasinowski said he told Sarepta officials, "You are going to have to trust me."

The company began three trials involving 110 new patients. In June 2015, Sarepta filed its formal drug application, using data from its trials.

Mr. Sasinowski, meanwhile, had been working with the two mothers for months on a parallel set of measurements that the women had gathered. He and an assistant helped them draft a 50-page FDA-friendly document, with bar charts, graphs and tables to show how the boys on eteplirsen fell less and spent less time in wheelchairs.

"You could sense the movement of the waters," said Mr. Sasinowski, a consultant, who helps clients navigate the FDA to get drugs approved. The

agency, he said, was open to hearing the "patient experience." Videos and stories, he said, would be woven into "something that looked akin to a study report."

Mr. Sasinowski said he helped make the parents' report "as close to being acceptable by rigorous reviewers as possible."

In July 2015, Ms. McSherry and Ms. McNary made a two-hour closed-door presentation to FDA officials, including a video of boys who described how eteplirsen had increased their strength. They passed out copies of their report.

Mr. Sasinowski said in an interview he recalled telling FDA officials at the meeting he was working with both parents and company.

Parents asked the FDA and Sarepta if they could present their findings to the agency's advisory committee, which comprises outside experts. The FDA agreed, and the company gave them a portion of its allocated time at an April 2016 hearing.

There was a conflict between the parents' stories of improvement and the FDA's interpretation of the trial. Data showed the performance of boys taking the drug had declined in the walk test, the FDA said.

The advisory committee voted 7-to-6 against accelerated approval, concluding the trials didn't provide substantial evidence the drug was effective.

Dr. Ellis Unger, director of the Office of Drug Evaluation, said in a July 15, 2016, memo that the FDA review team had unanimously rejected approval of eteplirsen, FDA records show.

On July 14, 2016, Dr. Woodcock, who seldom interceded in drug-approval decisions, overruled the advisory committee and the FDA review team. She said in a memo that eteplirsen was "reasonably likely to predict clinical benefit." She declined through a spokeswoman to comment on her decision.

Dr. Unger appealed to an FDA committee that reviews such disputes. He wrote in his appeal that eteplirsen was a "scientifically elegant placebo," giving "false hope in exchange for hardship and risk."

He said it would appear to the public that "unprecedented lobbying efforts" had earned eteplirsen its approval.

The head of the FDA committee said she agreed with Dr. Unger's conclusion that the data didn't show the drug was "reasonably likely" to provide a clinical benefit, according to agency documents. The dispute was sent to Dr. Califf, the FDA commissioner at the time. He deferred to Dr. Woodcock's "judgment and authority," an agency memo said.

On Sept. 19, Ms. McSherry was helping Jett get ready for school when her cellphone buzzed. Her daughter, who got the same text messages, yelled from upstairs: "You did it!"

The FDA had approved eteplirsen. Ms. McSherry drove to Mr. Garabedian's house. "We had a big hug and tears," she said. In days, company shares more than doubled to \$60.

Sarepta shares have dropped back to \$35. Some insurance companies refuse to cover the drug. A label on the medicine—renamed Exondys 51—says a clinical benefit of the drug "has not been established."

A Roller-Coaster Ride to FDA Approval

Sarepta's share price was whipsawed by events in the yearslong journey of its drug eteplirsen.

JULY 24, 2012

Sarepta reports patients in the company's drug trial showed "significant clinical benefit" from eteplirsen after 36 weeks.

OCTOBER 27, 2014

An FDA review of Sarepta's yearslong drug trial concludes the company's data is "uninterpretable," "unreliable" and "misleading." After the company's news release, its stock price falls more than 30%.

Source: WSJ Market Data Group, WSJ staff reporting

NOVEMBER 12, 2013

Sarepta in a news release says the FDA has doubts about eteplirsen after a competing drug for DMD fails to show improvement. Share prices fall 65%.

APRIL 25, 2016

The FDA advisory committee votes 7-6 against accelerated approval of eteplirsen.

SEPTEMBER 19, 2016

FDA approves use of eteplirsen. In the following days, Sarepta shares more than double to \$60.

THE WALL STREET JOURNAL.

GREATER NEW YORK



The car that struck pedestrians and later crashed is shown on the sidewalk in Times Square on Thursday. One person was killed and 22 others were hurt in the incident.

Safety Push Scrutinized After Crash

Fatalities are down amid city's campaign, but calamity shows difficulty of hitting zero

By MIKE VILENSKY

A pedestrian's death in Times Square on Thursday comes as Mayor Bill de Blasio is seeking to eliminate traffic fatalities by 2024.

The incident highlighted both the need for the mayor's efforts and the difficulties he faces trying to end traffic deaths altogether, analysts said.

"Overall the city has done better over the past decade in reducing traffic deaths," said Nicole Gelinas, a fellow at the

conservative-leaning Manhattan Institute. "But this speaks to the vulnerability of areas with heavy pedestrian volume. You should be able to walk through Times Square and be safe from a rogue driver."

The car plowed down a crowded sidewalk in Times Square, killing an 18-year-old woman and injuring 22 other people. The driver was taken into custody and identified as 26-year-old Richard Rojas of the Bronx. He has two previous DWI arrests though he tested negative for alcohol Thursday, law-enforcement officials said.

A lawyer for Mr. Rojas couldn't be reached for comment.

The vehicle on Thursday appeared to crash into a steel bollard, one of a number put in

place by Mr. de Blasio's administration between 42nd and 47th streets.

Mitchell Moss, director of the Rudin Center for Transportation at New York University, said the city should put more barriers between pedestrians and vehicles, like small boulders or large planters used in some of the city's parks.

Swaths of Times Square have become closed to traffic, a plan begun under Mayor Michael Bloomberg, an independent, and continued under Mr. de Blasio, a Democrat.

Much of the Times Square area is now public space reserved for pedestrians. The car-free zones began as painted areas but are now delineated by some stones and protective

bollards. The bollards appeared to have helped prevent more deaths Thursday, analysts said.

A de Blasio spokesman provided data showing traffic injuries between 42nd and 47th streets fell from 34 in 2006 to 12 in 2016.

A signature policy by Mr. de Blasio aims to eliminate all traffic fatalities by the year 2024. While traffic deaths have fallen since he took office in 2013, the city is still far from meeting that goal.

The city has made progress since 2001, when six people were killed by an out-of-control van in Herald Square, another tourist-heavy area in Midtown.

In February, Mr. de Blasio's office said traffic fatalities in New York City hit a record low

of 230 in 2016, a 23% decline from 2013, when there were 299 traffic fatalities. But advocates have called on Mr. de Blasio to accelerate the plan.

Mr. de Blasio's traffic-safety program, called "Vision Zero," includes a reduced speed limit, new speed cameras, redesigning some traffic-heavy thoroughfares, and closing more areas of the city to traffic, among other measures.

Ms. Gelinas said the city also needed to be more aggressive about keeping people with past driving offenses from driving. "Better road design and better enforcement of criminal laws are both important," she said.

—Zolan Kanno-Youngs and Mara Gay contributed to this article.

Sanitation Site Stirs Question Of Fairness

BY MELANIE GRAYCE WEST

A city plan to place a sanitation depot in a corner of East Harlem has local residents crying foul over what is the fair share of city services to shoulder and how much the city should spend on their facilities.

At issue is a crumbling New York City Department of Sanitation garage on East 99th Street that needs to be moved. The city says it has studied multiple sites in East Harlem and settled on a location nearly 30 blocks north on a midblock parcel at East 127th Street and Third Avenue.

On that site—now a car dealership and parking lot—the city would build an open-air sanitation depot that would funnel garbage trucks onto streets adjacent to a popular park, schools, churches, a new high-tech cancer treatment center and the future location of a mixed-use development that will include the Harlem African Burial Ground Memorial.

"People feel like we're being dumped on," said Hallia Baker, secretary for the Harlem Neighborhood Block Association, one of several groups that oppose both the location of the

Proposed Manhattan 11 Garage: 207E. 127th St.



planned sanitation depot and its design. "They feel like there is environmental racism."

Ms. Baker and others say the city shouldn't spend money on a temporary facility under a 20-year lease, but combine the planned garage with another permanent one off of East 130th Street.

Many local residents, business owners and community leaders also say the city should build a garage that is equal to others: enclosed, nice-looking and efficient.

Ms. Baker and others note that a new garage for the city's sanitation trucks in SoHo is a \$250 million architectural gem. In Astoria, the city has budgeted \$130 million to replace a maligned, outdated sanitation garage. And in the North Shore neighborhood of Staten Island, it will cost nearly \$140 million to relocate a sanitation garage from a residential area to the former Fresh Kills landfill.

In East Harlem, the expected renovation and construction costs of the sanitation depot on East 127th Street is \$28 million.

Keith Mellis, a spokesman for the city's sanitation department, said there isn't a site currently available that will accommodate combining two garages, one of which is the District 10 garage off of East 130th Street that technically serves another community.

Sanitation officials settled on the 127th Street spot because "it will not have a significant impact in the area in comparison to other potential sites the city has identified," Mr. Mellis said.

New York City Council Speaker Melissa Mark-Viverito, who represents the East Harlem community, "has long supported the relocation of this garage and this proposed site presents a viable option to do so," said Ms. Mark-Viverito's spokeswoman Robin Levine.

East Harlem residents are waiting for Manhattan Borough President Gale Brewer to make her judgment on the siting of the sanitation garage.

Ms. Brewer is expected to make her recommendation this week. A spokesman said she is still reviewing the plan.

DNA Matches of The Missing Ease Families' Sorrow

BY CORINNE RAMEY
AND KATE KING

The last time Luis Orlando Merchan heard from his brother was in 2013, when the human smuggler contracted to sneak him across the U.S.-Mexican border called to demand payment and let the two brothers speak briefly by phone.

After that, said 38-year-old Mr. Merchan, "We waited two, four, six weeks and nobody

been matched to family members through the New York City events, which typically draw about 75 families. In one case, a Brooklyn woman's DNA matched that of an unidentified man found dead in New Jersey in 1976. In another, two siblings' DNA matched that of a body found in Suffolk County in 2003, that turned out to be that of their father.

"It makes such a difference to individuals," said Barbara Sampson, the city's chief medical examiner. "That closure brings everyone peace."

The city has records of about 1,200 unidentified dead people, most of whom are buried in the public burial ground on Hart Island, near City Island in the Bronx. About a decade ago, the office created DNA profiles for these unidentified dead. For about a third of them, it did so by taking bone samples from the bodies.

"We have plenty of cases where we have DNA but no family to connect it to," said Mark Desire, assistant director of forensic biology in the medical examiner's office.

Nationally, about 4,400 unidentified remains are found annually, and 1,000 of those typically are still unidentified after a year. The database contains information on about 13,000 missing people, as well as about 11,000 records of unidentified remains.

"Missing can be worse than dead," Mr. Matthews said. "I know that sounds bizarre, but it's true."

Maureen Himebaugh, a resident of Cape May County, N.J., would agree. She and her



Luis Orlando Merchan and his mother, Lastenia Pari, at their Westchester County home. Brother and son Manuel Elias Merchan, far left, went missing in 2013. His family identified his body through a DNA match.

Over 1,000 People Are Missing in N.J.

About 1,100 people in New Jersey are classified as long-term missing, meaning they have been out of touch with relatives for at least 30 days.

The cases go back to the 1960s, according to State Police Lt. Louis Andrinopoulos.

New Jersey also has 325 unidentified bodies that are

buried or in morgues.

Some people don't report their family members missing for various reasons, including fears over being undocumented.

Lt. Andrinopoulos said state police don't ask questions about immigration status.

"We want to have them build trust with law enforcement, that we're trying to do all we can to identify or locate their loved ones," he said.

—Kate King

family submitted DNA samples to the database in hopes of finding her son Mark, who went missing late one afternoon nearly 26 years ago. A search that night turned up nothing but the 11-year-old's

sneaker.

Mark's mother believes he was kidnapped by a stranger and fears he may have been forced into sex trafficking.

"The hardest part is the not knowing," said Ms. Hime-

baugh, 65. "When you have that closure, at least you're not still wondering if he's still out there and being abused."

As for Mr. Merchan, last year he got a phone call informing him of a DNA match and that his brother's body was in Texas.

Getting the call was sad, Mr. Merchan said, particularly since his brother, Manuel Elias Merchan, had a wife and two children.

"Still I was thinking, maybe he's living or sick," said Mr. Merchan, who does home-improvement work. "Every day I thought he would call and say, 'I'm here.'"

Earlier this month, Mr. Merchan and his family buried his brother in their native Ecuador. "It's better to know now," he said.

East Harlem residents are waiting for Manhattan Borough President Gale Brewer to make her judgment on the siting of the sanitation garage.

Ms. Brewer is expected to make her recommendation this week. A spokesman said she is still reviewing the plan.

GREATER NEW YORK

Former Senate Leader Appeals His Conviction

BY CORINNE RAMEY

Lawyers representing Dean Skelos appealed his criminal conviction Thursday, arguing the former New York state Senate majority leader should get a new trial because a U.S. Supreme Court ruling had changed the definition of some public-corruption offenses.

Mr. Skelos, a Nassau County Republican, and his son, Adam Skelos, were convicted of extortion, bribery and other crimes in December 2015. Last year, Dean Skelos was sentenced to five years in prison and his son to 6½. Both have remained free during the appeal process.

Federal prosecutors said the Skeloses conspired to use the father's public power to get no-show jobs and payments for Adam Skelos from companies with business before the state.

On Thursday, the Skeloses' attorneys based many of their arguments, made to a panel of judges from the U.S. Court of Appeals for the Second Circuit, on the U.S. Supreme Court decision in the case of former Virginia Gov. Bob McDonnell.

Last year, the Supreme Court vacated the public-corruption conviction of Mr. Mc-

Donnell, a Republican, redefining what counts as so-called official acts of government power. The court ruled actions Mr. McDonnell took, like setting up meetings, didn't count as official acts, and said the instructions given to the jury were so broad they could criminalize ordinary conduct.

Lawyers for Dean Skelos have argued the former legislator asked longtime friends who were company executives to help his son, but have said these actions weren't part of a bribery scheme. On Thursday, lawyer Alexandra Shapiro argued the jury may have convicted Dean Skelos based on these meetings, and said such meetings wouldn't count as official actions under the McDonnell decision.

Robert Culp, a lawyer for Adam Skelos, argued that Adam couldn't have taken part in a conspiracy because he didn't have knowledge of the "quid" and "quo" in the supposed quid pro quo scheme.

Prosecutor Thomas McKay said the convictions weren't merely based on actions like setting up meetings, but the discussions that resulted in Mr. Skelos taking legislative actions

in the five boroughs. The plan, dubbed CreateNYC, is due in July.

Mr. Finkelpearl's job goes beyond the plan. The veteran arts administrator is responsible for overseeing various city cultural funding, which totals roughly \$330 million for this fiscal year alone.

We sat down earlier this week with Mr. Finkelpearl, who is 61 years old. The interview has been edited and excerpted.

New York City has never had a cultural plan. Why does this make sense now?

Mr. Finkelpearl: We've



MARK KAULZLICH FOR THE WALL STREET JOURNAL

Cultural Affairs Commissioner Tom Finkelpearl at a City Hall event this week. He is creating a plan for culture and arts throughout the city.

Boroughs Without Borders

New York's cultural affairs czar seeks to bring arts to more communities

BY CHARLES PASSY

Tom Finkelpearl is a man with a plan—a cultural plan, to be exact.

As commissioner of the New York City Department of Cultural Affairs, Mr. Finkelpearl is behind the creation of a first-

FOOD & CULTURE ever blueprint for all things

cultural in the five boroughs.

The plan, dubbed CreateNYC,

is due in July.

Mr. Finkelpearl's job goes beyond the plan. The veteran arts administrator is responsible for overseeing various city cultural funding, which totals roughly \$330 million for this fiscal year alone.

We sat down earlier this week with Mr. Finkelpearl, who is 61 years old. The interview has been edited and excerpted.

New York City has never had a cultural plan. Why does this make sense now?

Mr. Finkelpearl: We've

been funding arts and culture since the 19th century. We are America's largest municipal funder of arts and culture. We've done studies on x, y and z. Even within this administration, we've done new initiatives around diversity and the artists in residence at city agencies. But how does it all weave together? That's the big question.

Your initial findings note some of the barriers that prevent New Yorkers from participating in cultural activities: 63% of those surveyed cited "inconvenient location" of events. What can be done about this?

Mr. Finkelpearl: We keep hearing over and over again, "We want more arts and culture in our neighborhood."

We have the biggest public transportation system in America. But it's still a long way from one part of the city to another.

We're heading in the direction of supporting organizations that are geographi-

cally in different parts of the city and that also represent communities that are underfunded. That could be people with disabilities, older people, different ethnic and racial groups. Finding ways to increase support to those organizations will answer that question.

Given the high cost of living in New York, there's concern how artists can afford to stay here. Could the city lose them?

Mr. Finkelpearl: I think it's a looming crisis, but I don't think it's something that's yet happened. There are still thousands and thousands of artists. People are still flocking to New York City.

There are some recommendations in the plan. First is affordable real estate for artists. We call it the AREA initiative, which is to build low-cost studios. There are also questions of how much money artists are making. There are all kinds of recommendations related to what does it mean to have wages that allow you to

pay the rent.

How did your time as an executive at the Queens Museum, and before that at Long Island City's MoMA PS1 contemporary art center, inform your views on culture in the city?

Mr. Finkelpearl: It gave me a perspective. I feel like I do have knowledge of and respect for both Manhattan and the other boroughs. And I actually don't think they're discontinuous. There is no wall at the edge of Queens that says you can't come into Manhattan to see something. Or vice versa.

Your background is as a sculptor. How has that influenced you as an arts administrator?

Mr. Finkelpearl: I have a lot of respect for the kind of sacrifices that artists make to live in New York City. I was very poor. I was borrowing money from my wife every paycheck. And she was a graduate student. That's how bad it was.



Former legislator Dean Skelos and his son, Adam Skelos, in 2015.

Calorie-Count Rules Hit Retailers

BY MARA GAY

Grocery stores and large chain retailers in New York City will soon be required to post calorie counts for prepared foods under an expansion of the city health code.

The new rules, announced by Mayor Bill de Blasio's administration Thursday, would apply to food retailers with at least 15 locations nationwide.

Beginning Monday, businesses like 7-Eleven and Whole Foods will be required to post calorie counts for standard menu items. They will also be required to make nutritional

information about those meals available upon request.

"When we think about what's really killing New Yorkers before their time...it's chronic diseases that are driven by poor nutrition," said Dr. Oxiris Barbot, first deputy commissioner with the Department of Health and Mental Hygiene, in a phone interview.

The expansion of the city's health code is the latest measure in a decadelong push to improve New Yorkers' health that began under former Mayor Michael Bloomberg and has continued under Mr. de Blasio.

The city began requiring cal-

orie counts at chain restaurants in 2008. In late 2015, it began requiring them to post a symbol of a salt shaker on the menu beside items that contain at least 2,300 milligrams of sodium.

Jay Peltz, general counsel and vice president of government relations at the Food Industry Alliance of New York State Inc., said the group opposes the expansion. Mr. Peltz said the grocery retailers he represents were particularly concerned that they would expend resources to comply with city rules that could then be made invalid with a change in the federal rules.

Information about those meals available upon request.

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Mobster Denied Bail After Alleged Threat

A reputed mobster who beat a charge that he took part in a legendary heist retold in the hit film "Goodfellas" was denied bail Thursday in another case after the government accused him of wanting to kill a prosecutor.

The U.S. attorney's office in Brooklyn said that in a conversation with another inmate, 82-year-old Vincent Asaro referred to the unnamed prosecutor by a derogatory term and suggested his crime family needed to put out a hit on her. Mr. Asaro's attorney denied the allegation.

—Associated Press

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

'Alien': Nothing New Under the Chest

BEFORE CHEWING over the more predictable parts of Ridley Scott's "Alien: Covenant," let's salute a really smart thing that Mr. Scott and his writers, John Logan and Dante Harper, have done with the latest edition of the "Alien" saga.

Seizing on the only source of sustained vitality in the director's 2012 film "Prometheus," they've made the most of it this time around. "Prometheus," a sci-fi adventure set in the "Alien" universe, was concerned with such cosmic questions as the origin of life. But the answers it came up with were awfully lame, and all but one of its characters were cut from space-age cardboard. The exception was an intricately appealing android. His name was David, he was played by Michael Fassbender, and he stole the show with supra-human aplomb. The good news is that David is back, in a way that doubles down, or more properly up, on his potential and gives Mr. Fassbender lots to do. (The cast includes Danny McBride, Billy Crudup, Demián Bichir and Carmen Ejogo.) And the bad news? This new "Alien" prequel is mostly a gore fest, which may be great news for gluttons of the genre.

The Covenant of the title is a spaceship carrying 2,000 colonists,



Katherine Waterston as Daniels, the ship's second-in-command, in Ridley Scott's 'Alien: Covenant'

along with unspecified numbers of frozen embryos, from Earth to a supposedly habitable planet on the far side of the galaxy. The colonists are sleeping deeply, since the trip is scheduled to take seven years, but the crew is rudely awakened by incipient calamity in the form of a neutrino burst. Extensive damage is sustained, followed by extensive repairs that are at least as interesting as watching the road being paved in "Cars."

Still, the repairs have their own logic, which is more than can be said of a detour to a nearby planet on the strength of a rogue transmission that features John Denver singing "Take Me Home, Country Roads." The stop is opposed by Daniels (Katherine Waterston), the ship's second-in-command, who is clearly not a John Denver fan. (Ms. Waterston gives a strong performance, even if Daniels can't touch Sigourney Weaver's powerful pres-

ence as Ripley in the four chapters of the main series.) Yet the detour is taken all the same, an impulsive exploration of an uncharted planet that looks like paradise, though any fan of horror stories—or anyone who's read Ray Bradbury—will know instantly that it's anything but.

A case could be made that "Alien: Covenant," being very much a horror story, has shrewdly forgone logic and plausibility in favor of letting the audience get ahead of, and savor in advance, the plot's most lurid developments. (Not those involving Mr. Fassbender, I hasten to say.) Thus the explorers dispense with sensible precautions. They don't bother to wear space helmets. They stray heedlessly from their ship, leaving its cargo door wide open. Venturing deep into caves, they touch gloppy stuff that shouldn't be touched, especially because it moves. Once the worst happens—and this is a franchise in which the worst happens over and over again—basic quarantine procedures are thrown to the solar winds. The results can be funny, as well as scary, but not "Spaceballs" funny, not "The Bad

News Bears" funny. The cumulative impact of this silly stuff is a sense of laziness or fatigue, a breaking of faith with those in the audience who may have come expecting something new.

By the same token, many "Alien" fans will come looking for something old, and that's in bloodily abundant supply. It may well be sufficient, considering the excitement that an "Alien" logo can still elicit, almost four decades after the original hit the screen. The key word, of course, is "original." No one knew what was coming the first time around, any more than they knew, nearly two decades before that, what would happen to Janet Leigh when she stepped into the shower. In today's movie business originality is often seen as a risk, and carbon copies can be perfectly acceptable, despite the disappearance of carbon paper. In that context, the action sequences of "Alien: Covenant" give satisfaction, while the android element—to use a bland, spoiler-free term—provides ample food for thought and cause for worry, machine-learning being what it is and soon will be.

TELEVISION REVIEW | By Dorothy Rabinowitz

CAPTAIN CHAOS GOES TO WASHINGTON

THE SUBJECT of this documentary has never yielded in his regard for the infliction of shock and chaos as a political tactic, according to the commentators, mainly journalists, assembled for "Bannon's War," a "Frontline" film on the life and career of Steve Bannon. It's a perception regularly echoed in this telling portrait of the adviser primarily responsible for shaping Donald Trump's message for most of the presidential campaign—and the one delivered in President Trump's memorably dark inaugural address.

"This American carnage stops right here, and stops right now," the nation heard on the celebratory day meant to symbolize the blessings of democracy, the peaceful transition of power.

An old friend of Mr. Bannon, interviewed for this film, reflects affectionately on the ease with which she recognizes his lines and his views in Mr. Trump's public pronouncements. Prime among those views, the film makes clear, is an enduring belief in the value of chaos and disorder to undermine the establishment, usurp its power.

To be sure, it's hard to know just how sturdy Mr. Bannon's faith is now, given the continuing riot of embarrassments, disclosures, wildly conflicting official pronouncements—each more astounding than that of the day before—currently emanating from the Trump White House. This was, perhaps, not the valuable chaos Mr. Bannon had in mind.

Those beliefs—"bring on the apocalypse," one commentator de-

scribes it—had taken root early. As a junior at Virginia Tech, he ran for student body president and won a surprise victory by running on a platform in which he attacked his rivals as tools of the administration—of the establishment—and by claiming for himself the mantle of "an outsider." It was, one of the film's Bannon historians observes, "very Trumplike."

A "Frontline" documentary looks at the life and career of Trump's chief strategist

Michael Kirk and his "Frontline" team, as they characteristically do, have imbued this political biography with human dimension. Here are the details of an Irish working-class childhood in Richmond, Va.—of the influence of a father, a telephone lineman, who taught his son the value of hard work, and who knocked on doors to help elect John F. Kennedy.

During his college days, we learn, Mr. Bannon worked in a junkyard—his mother hosed him clean before he entered the house. The young Bannon who emerges from this background is an omnivorous reader—a devourer, especially, of philosophy and history that yielded clues to the future. Future calamities, in particular. No danger preoccupied him more than



Steve Bannon

The Bannon who arrived in Washington as Donald Trump's chief strategist—and was, to universal astonishment, awarded a seat on the National Security Council despite his lack of credentials or anything resembling foreign-policy experience—had lost none of his ingrained belief in the value of disruption. In the film's most riveting section there's a description of the Bannon-directed effort to ensure the rollout, immediately after Mr. Trump assumed office, of one controversial executive order after another, not least the order aimed at restricting Muslims from entering the U.S.

Mr. Bannon and President Trump, the film notes, wanted the ensuing outrage, the protests, the shock and, not least, the media's cameras. They were sending a message: Change had come; Trump was making good on his promises.

Since that golden time, the president's chief strategist has seen a sharp reduction in his status. He's been removed from his seat at the National Security Council, mainly, it is said—in this film as everywhere else—as a result of Mr. Trump's inability to tolerate the publicity showered on Mr. Bannon as a mastermind. He has largely faded from view. But in this hard-eyed and absorbing hour, the man Donald Trump now describes as someone who had, after all, only joined the campaign at a late stage, comes vividly to life.

Bannon's War
Tuesday, 10 p.m., PBS

the one posed by the Islamic world, which would in his view forever be a mortal threat to the West.

Serving in the Navy when the Iranians seized the American Embassy in Tehran, he had become embittered over President Jimmy Carter's failure to rescue the hostages—but nothing would have greater impact on him than the Sept. 11 attacks, proof to him of Islam's continuing war against West-

ern civilization.

In Hollywood he made films on the subject, which came to nothing, and along the way prepared for an active role in politics. Looking for someone who could do for America what his hero Ronald Reagan did, he determined—with an eye to the 2012 presidential race—that Sarah Palin might be just the candidate who could win. Ms. Palin, sensibly, remained unconvinced.

LIFE & ARTS

ART

A New Record at Auction Week

An untitled Basquiat sells for \$110.5 million as collectors bid up blue-chip art at Christie's, Sotheby's and Phillips

BY KELLY CROW

Sotheby's New York saleroom erupted into applause Thursday after a Japanese billionaire paid \$110.5 million for a work by Jean-Michel Basquiat, the highest price ever paid at auction for a work by a U.S. artist.

The sale, to 41-year-old e-commerce king Yusaku Maezawa, provided a crackling cap to New York's spring auctions, where sales exceeded expectations in many, but not all, categories.

The price for the Basquiat, an untitled 1982 image of a menacing, black skull painted in graffiti-style slashes, bested Andy Warhol's \$105 million auction record. It ranks the Brooklyn street artist in a rarefied, nine-figure canon alongside Pablo Picasso, Edvard Munch and Francis Bacon. The previous record for a Basquiat was \$57 million, set a year ago by Mr. Maezawa, who is building a museum in Chiba, east of Tokyo.

"When I first encountered this painting, I was struck with so much excitement and gratitude for my love of art," Mr. Maezawa said in an Instagram post shortly after he placed his winning phone bid.

Results of the auctions, which conclude Friday, suggest art shoppers are just getting started. Sotheby's, Christie's and Phillips reported more than \$1.4 billion in art sales throughout a week that swung from stable to exuberant—a sign that once-wary collectors seem increasingly eager to splurge on blue-chip impressionist, modern and contemporary art.

Other notables include a Cy Twombly abstract, "Leda and the Swan," which Christie's sold for \$53 million, and a Francis Bacon triple portrait of his lover, "Three Studies for a Self-Portrait of George Dyer," which the same house sold for \$51.8 million.

Sotheby's \$319.2 million contemporary art sale Thursday surpassed its high expectations; two days earlier, it also sold Kazimir Malevich's \$21.2 million abstract, "Suprematist Composition with Plane in Projection," for more than its \$18 million high estimate. Phillips' \$110.3 million sale Thursday was led by Peter Doig's \$28.8 million "Rosedale," a 1991 view of a manor house.

Ahead of these sales, the houses made financial deals to ensure that dozens of their priciest pieces sold no matter what—an unsettling move that suggests sellers didn't want to shoulder their own risk. Yet plenty of artists still underwent major market tests. Here's a look at a few of the strongest and weakest performers.

WINNERS

Sculptures: After papering their



This untitled 1982 Jean-Michel Basquiat painting of a colorful skull, above, sold for a record-setting \$110.5 million at Sotheby's on Thursday. Below from left: Phillips sold Roy Lichtenstein's two-sided view of a woman in a ponytail from 1996; Claude Monet's 'Waterlily Pond' from 1917-20 only drew a few limp bids, selling for \$16 million; Jeff Koons' sculpture of vacuum cleaners drew just one bid.



CLOCKWISE FROM TOP: 2017 THE ESTATE OF JEAN-MICHEL BASQUIAT/ADAGP, PARIS/ARS; CHRISTIE'S IMAGES LTD. 2017; SOTHEBY'S; PHILLIPS

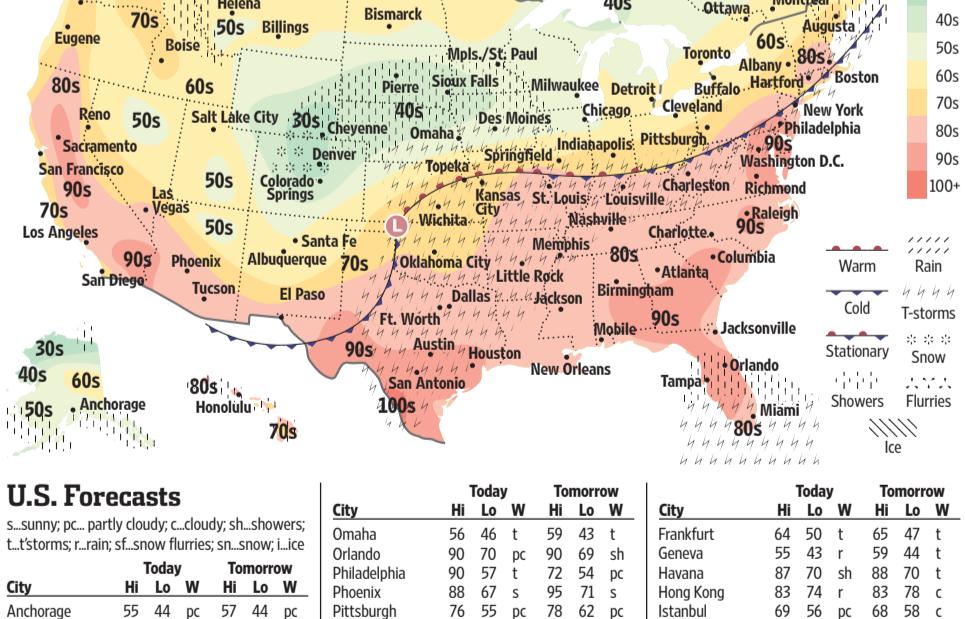
walls with paintings in recent years, collectors must have realized they still had empty tabletops or patios because sculptures sold well at all sizes this week. Hits in-

cluded Christie's \$57.3 million melon-size Constantin Brancusi bronze, "Sleeping Muse," which sold to private dealer Tobias Meyer. Sotheby's got \$16 million

for a Max Ernst figure of a chess player, "The King Playing with the Queen," that once belonged to painter Robert Motherwell.

Phillips sold Roy Lichtenstein's

Weather



U.S. Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City Today Hi Lo W Tomorrow Hi Lo W

Anchorage 55 44 pc 57 44 pc

Atlanta 89 68 t 89 69 pc

Austin 90 72 t 86 66 t

Baltimore 90 60 t 70 54 pc

Boise 70 46 s 74 47 s

Boston 82 51 pc 63 49 s

Burlington 66 42 sh 65 43 s

Charlotte 89 67 pc 88 68 pc

Chicago 56 50 sh 73 57 t

Cleveland 62 53 pc 78 65 pc

Dallas 87 69 t 75 63 t

Denver 38 29 sn 56 34 pc

Detroit 65 49 pc 68 60 pc

Honolulu 85 73 pc 85 72 sh

Houston 90 75 pc 72 72 t

Indiansapolis 77 65 t 83 65 t

Kansas City 75 53 t 65 47 t

Las Vegas 83 64 s 89 69 s

Little Rock 86 70 t 80 64 t

Los Angeles 83 60 s 85 63 s

Miami 89 78 sh 89 80 pc

Milwaukee 52 46 sh 65 55 r

Minneapolis 55 44 pc 54 45 r

Nashville 89 70 t 90 68 t

New Orleans 86 73 pc 82 71 t

New York City 88 56 pc 70 52 s

Oklahoma City 77 52 t 68 48 pc

International

Today Hi Lo W Tomorrow Hi Lo W

City

Amsterdam 61 50 c 63 49 sh

Athens 74 58 s 77 63 s

Baghdad 111 78 s 99 68 s

Bangkok 91 80 t 92 80 t

Beijing 100 65 pc 95 64 s

Berlin 81 56 t 62 52 c

Brussels 59 47 c 63 46 t

Buenos Aires 64 46 r 56 48 r

Dubai 101 83 s 100 85 s

Dublin 59 45 t 59 46 t

Edinburgh 60 45 c 58 45 sh

AccuWeather.com

City	Today	Hi	Lo	W	Tomorrow	Hi	Lo	W
Frankfurt	64	50	t	65	47	t		
Geneva	55	43	r	59	44	t		
Havana	87	70	sh	88	70	t		
Hong Kong	83	74	r	83	78	c		
Istanbul	69	56	pc	68	58	c		
Jakarta	91	78	pc	90	76	pc		
Jerusalem	79	58	s	70	56	pc		
Johannesburg	68	40	s	70	40	s		
London	60	46	t	62	48	t		
Madrid	73	46	s	79	54	s		
Manila	93	82	sh	93	83	t		
Melbourne	65	55	r	64	53	pc		
Mexico City	86	58	pc	87	58	pc		
Milan	72	53	t	71	51	pc		
Moscow	68	50	c	73	57	pc		
Mumbai	91	83	pc	91	84	pc		
Paris	60	46	t	64	47	t		
Rio de Janeiro	75	69	r	79	70	c		
Riyadh	107	84	s	107	84	s		
Rome	76	56	t	71	55	pc		
San Juan	88	77	pc	88	78	pc		
Seoul	77	58	s	80	60	s		
Shanghai	80	68	pc	81	67	s		
Singapore	88	80	c	87	81	c		
Sydney	71	64	sh	71	59	r		
Taipei	85	74	pc	85	75	pc		
Tokyo	75	64	s	79	67	s		
Toronto	63	46	s	58	49	c		
Vancouver	63	49	pc	64	49	pc		
Warsaw	76	53	r	78	56	pc		
Zurich	61	43	r	59	43	t		

Today

City

Hi

Lo

W

The WSJ Daily Crossword | Edited by Mike Shenk



BON VOYAGE! | By Marie Kelly

The answer to this week's contest crossword is a vacation destination.

Across

1 Perp pursuer

4 Hoping to avert a strike?

9 Not forbidden

14 Rose in the rock world

15 Donald's second

SPORTS

NBA | By Jason Gay

Boston Wins Even When It Loses



Boston

The Celtics lost badly on Wednesday night, but you know who's not freaking out? Boston.

They'll probably go down fast to the Cavaliers in the coming week, but there's a sports confidence here that's undeniable, almost freaky. On Tuesday evening, I was at an event in my hometown for MassBike, a statewide cycling advocacy group, when someone paused the ceremony to make an excited announcement:

The Celtics got the number one pick in the draft lottery!

I wish I could say the room erupted in applause, and bike-loving strangers began hugging and kissing and riding in jubilant circles on tandems. That did not happen. The reaction was more of an appreciative shoulder shrug, the way you do when someone lets you cut in line at Trader Joe's.

The Celtics got the No. 1 pick.

Well, that's nice!

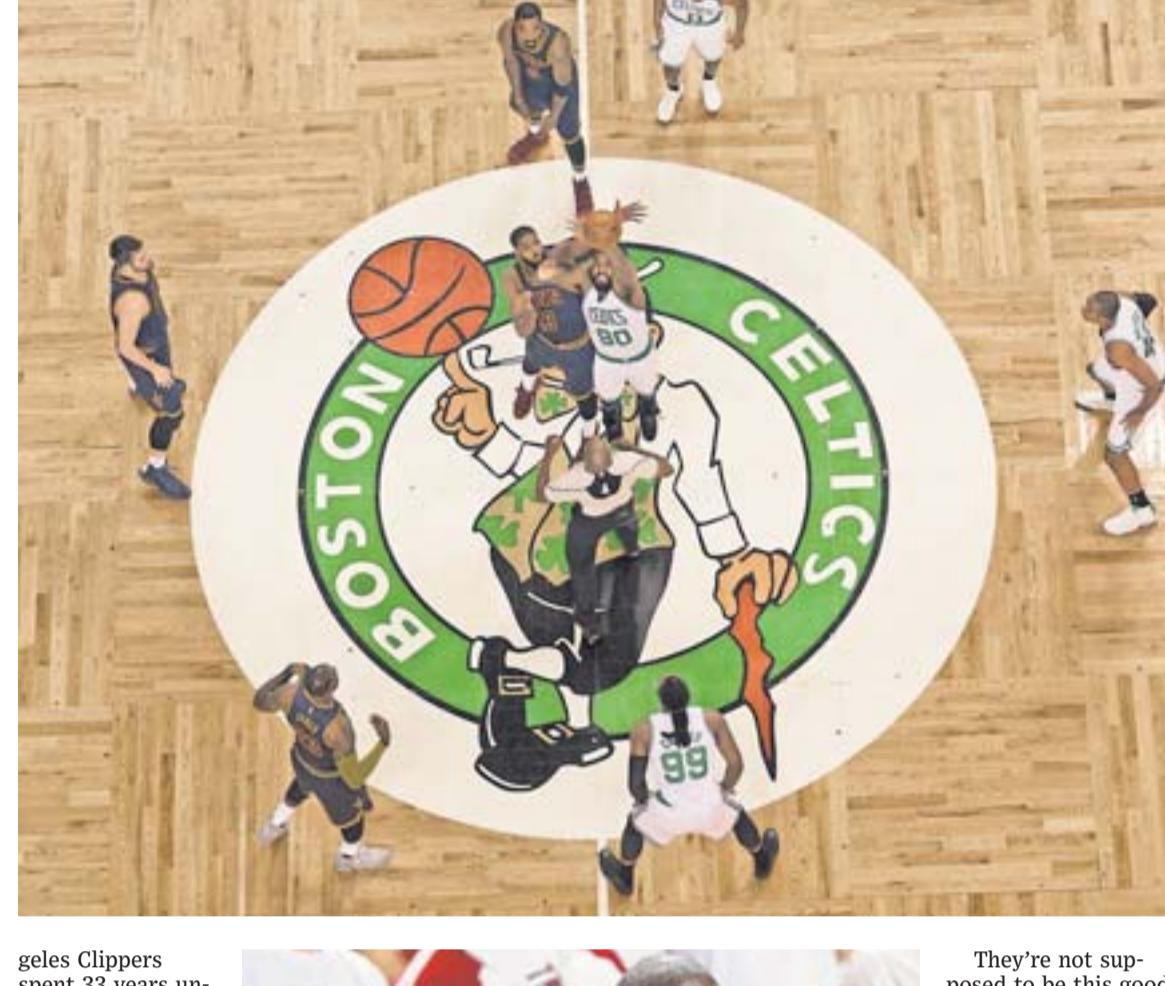
And it's expected. Bostonians are used to winning, and they're winning all the time now. I say this with love: It's getting absurd.

The Celtics No. 1 lottery pick is especially ridiculous because Boston is still in the NBA playoffs. When you win the No. 1 pick in the draft, you're supposed to be a rusty squid boat on the bottom of basketball's ocean floor—not four victories away from the Finals.

But thanks to some brilliant dealing by Celtics boss Danny Ainge, and some wondrous ineptitude from the Brooklyn Nets—who gifted their future to Boston in exchange for the shuffleboard vapors of Celtics geezers Paul Pierce and Kevin Garnett (and throw-in Jason Terry)—the Celtics have gotten fat on a stash of picks that shouldn't be theirs. That No. 1 slot Tuesday was earned by the Nets, who were indeed a rusty squid boat at the bottom of the NBA this season, but instead drolly bequeathed first-round picks or "pick swaps" to Boston in 2014, 2016, 17 and 18.

I should probably mention that both Pierce and Garnett are now retired from basketball.

It is shaping up to be the worst trade in NBA history, which is saying a lot, considering the Los An-



geles Clippers spent 33 years under Donald Sterling. Pierce, who had post-Nets pit stops with both Washington and the Clips before hanging them up, actually cheered the Celtics lottery luck like a guy who'd hidden a case of beer in the office ceiling on his last day of work.

"Look what I leave behind for the Celts on my way out...#1 pick," Pierce tweeted.

I know: it's gross. And Boston is loving every second of it.

On Wednesday, I was at Boston's Game 1 opener with Cleveland, and though no one expects them to win this series, there's a



giddiness, as if the Celtics are playing with the house's money. Boston is not a team larded with pricey fading stars, but a fit and hungry roster assembled by Ainge, well-coached by the 40-but-still-getting-carded Brad Stevens, and arriving far ahead of schedule.

They're not supposed to be this good, this soon.

And so while the Celtics have done impressive things this season (win 53 games, secure the top record in the East, prevail in competitive playoff rounds with Chicago and Washington, ride an emotional high provided by the sensational play of leader Isaiah Thomas, still grieving the recent death of his sister), they have far exceeded expectations.

They probably can't hang with the Cavaliers—a lopsided defeat in Game 1 pretty much proved that—but there is not even the faintest of civic alarm.

(One matter that is cause for



BOXING

THE BOXER AND THE BILLIONAIRE

BY ALEX RASKIN

AS BOXING SUPERSTAR Terence "Bud" Crawford readied himself for a title defense in his hometown of Omaha in 2015, a fan was ushered into the locker room for a quick introduction: a local investor by the name of Warren Buffett.

Growing up on Omaha's tough north side, Crawford didn't know Warren Buffett from Jimmy Buffet until he was in his mid 20s. But that meeting began an unlikely alliance between Buffett, the legendary Berkshire Hathaway chairman who is one of the world's wealthiest men, and the unde-

feated Crawford. The boxer on Saturday will defend his WBC and WBO super lightweight titles against Felix Diaz at New York's Madison Square Garden.

Buffett's support for Crawford is almost unabashed. He has sized up the boxer's game as carefully as the balance sheets of companies in which he invests.

"In the ring, Bud embodies the techniques of a sound investor: He uses the first four or five rounds to fully size up the target and then expertly uses that knowledge to score decisive victories," Buffett said through a spokeswoman. "All of Omaha is in his corner."

Crawford sees some common

traits with Buffett as well. "[We're] both cheap," Crawford said in an interview.

Buffett's home in Omaha's Dundee-Happy Hollow Historic District would be a palace to anyone on the city's north side. But the fighter likes the fact that Buffett still resides in the same house he bought in 1958 for a mere \$31,500.

"You wouldn't even think he was a billionaire," said Crawford.

Having Buffett as a fan has its privileges: Crawford was invited last year to an hour-long meeting at Berkshire Hathaway's offices. Buffett didn't offer any investing tips, instead sharing a few cautionary words about wealth.

"He was saying... 'The money's gonna come; don't let that be your focus; and when you get it, be responsible,'" explained Crawford's business manager Phillip McClain, who attended the get-together.

Crawford is certainly watching his dollars carefully. "The other day [Crawford] gave me \$100 bill and was like, 'Hey go put some gas in my car,'" said Steven Nelson, a light heavyweight and lifelong friend who will fight on Saturday's undercard. "I filled up his tank up with \$60. He's like, 'Woah, where my change at? \$40, man.' I'm like, 'You're about to fight for a million dollars; you don't need \$40, dog.'

Omaha hasn't always been an easy place for Crawford. He was grazed by a bullet at 21 and, Nelson admits, Crawford "hung out with the wrong crowd" when he was younger.

But with the bounty from his boxing career, the fighter is trying to invest locally. He dreams of bringing a title bout to the University of Nebraska's 90,000-seat football stadium in Lincoln. And Crawford and trainer/manager Brian McIlroy created the non-profit B&B Boxing Academy, a north-side gym where anyone from eight to 18 can learn the sport from hands-on instructors including Crawford himself.

Before watching Crawford beat Raymundo Beltran in 2014, Buffett told HBO's Jim Lampley: "He is the hero of Omaha now."

GETTY IMAGES (3); ASSOCIATED PRESS (NFL)

NFL

L.A.'s Football Palace Faces a Rain Delay

BY MATTHEW FUTTERMAN

MAYBE THE GODS aren't smiling on the football teams setting up in Southern California.

Officials with the Los Angeles Rams and Chargers said Thursday their football palace now under construction in Inglewood won't open until the 2020 season, a year later than previously planned. While construction delays aren't uncommon, the reason was rather surprising: too much rain.

The Rams, who played last year in cavernous Los Angeles Memorial Coliseum after moving from St. Louis, and the Chargers, who earlier this year announced their move to Los Angeles from San Diego, are sharing the 70,000-seat stadium that is going to cost some \$2.5 billion.

The Los Angeles area received almost double the normal amount of rain between the start of October and the end of February.

"Despite bringing drought relief to the region, the rain fell during the mass excavation period of construction when no

other work could proceed in wet conditions," Rams executive vice president Kevin Demoff wrote in a letter to fans.

Aside from delaying the teams' arrival in Inglewood, the setback throws a wrench into the National Football League's plans to hold the 2021 Super Bowl at the stadium.

An NFL spokesman said that current rules require a stadium to be open for two whole regular seasons before it plays host to a Super Bowl. For the 2021 game to remain in Inglewood, NFL owners will have to grant a waiver. It's been done before—when the league allowed a stadium in a cold climate without a roof to play host to the game in 2014.

The stadium is also slated to be the site of the Opening and Closing Ceremony of the 2024 Olympic Games if Los Angeles wins the right to organize that event.

Given Demoff's letter to fans, it seems a pretty safe bet that the stadium will in fact be done by then. There is, after all, little rain forecast for the Los Angeles region for the next 10 days.



A wheelbarrow at the Inglewood site where an NFL stadium is being built.

OPINION

The Mueller Caveat



POTOMAC WATCH
By Kimberley A. Strassel

Professional medical organizations have a simple guideline: It's a bad idea for doctors to treat their friends or relatives. No matter how skilled, no matter how upright, a doctor who does risks losing his objectivity. The big question is whether this applies to Washington's new scandal doctor, Robert Mueller.

In tapping Mr. Mueller as special counsel to look into Russia's interference in the 2016 election, Deputy Attorney General Rod Rosenstein has certainly doused the political flames. Democrats were forced to tone down their chant for instant impeachment. Republicans were able to step back from the escalating headlines.

That's because the new guy is as skilled and upright as they come. A Robert Mueller word-association game would go something like this: integrity, honor, respect, order, discipline, honesty, fairness. He is a decorated Marine, a Princeton grad, a respected federal prosecutor and a former FBI director. Mr. Mueller has tackled strongmen and terrorists, working under Republicans and Democrats. He has little use for the press or the limelight, which—in the current hysterical environment—is a singular qualification.

In short, nobody doubts

Mr. Mueller will lead as professional an investigation as he is capable of conducting. It's the "capable" bit that provides the one note of concern.

Mr. Mueller is no doctor. But he is part of the brotherhood of prosecutors. Justice Department attorneys have their squabbles and differences, but they count themselves as a legal elite, charged with a noble purpose. They largely keep their own counsel and aren't much for outside criticism.

The FBI's culture is even more famous and pronounced. Tens of thousands of special agents and staff from different backgrounds come together to protect the country from criminals and terrorists. Outside the military, no other Washington body rivals the FBI's esprit de corps.

Mr. Mueller spent nearly his entire career within these insular worlds. What's more, he's a longtime colleague of none other than James Comey. Garrett M. Graff, a Mueller biographer, wrote in Politico this week that Mr. Comey "treated Mueller as a close friend and almost mentor." The two men have worked together, socialized together, and once even threatened to resign together. It was Mr. Mueller as FBI head who was with Mr. Comey, then deputy attorney general, during the infamous 2004 showdown with the Bush administration over NSA spying.

All this matters because Mr. Comey is now a central figure in the Russia drama—no matter what Democrats say.

Mr. Rosenstein has charged Mr. Mueller with investigating not merely Russian interference in the election, but "any matters that arose or may arise directly from the investigation." This presumably includes the recent firing of Mr. Comey. Democrats claim Mr. Trump dismissed the FBI director to halt further probing into his alleged Russia ties.

His integrity is unquestioned. But can he be objective toward Comey?

The White House claims Mr. Comey was canned for his multiple breaches of protocol. Someone must discover the truth.

But how objective can even the upright Mr. Mueller be about the conduct of an old colleague, part of the same FBI club? How likely is Mr. Mueller to evaluate objectively the president who unceremoniously fired that associate and friend?

The same question applies to the actions of current and former FBI and Justice Department officials—which need to be investigated. At this point, the only crime shown in the entire Russia investigation is the leaking of classified information, particularly Mike Flynn's name from surveillance transcripts. Given the FBI's ability to unmask such names, along with its outsize role in

the Russia investigation, there is a good chance some of the unauthorized (and potentially felonious) leaks came from inside the bureau. Mr. Mueller used to lead, possibly from people he worked with.

Consider this week's New York Times story revealing Mr. Comey's memo detailing his dinner with Mr. Trump. The story says Mr. Comey shared "the existence of the memo with senior F.B.I. officials and close associates." Portions of the document were read to a Times reporter by "one of Mr. Comey's associates." How long have these associates been calling the press? Did Mr. Comey know?

Mr. Mueller's past employment and his association with Mr. Comey are not in and of themselves disqualifying. But they do put a significant burden on the special counsel to prove that he will look as closely at his old shops as he does at the new administration. That includes investigating whether Team Obama or the FBI used Russia as an excuse to monitor political opponents inappropriately. It includes tracking down those who endanger national security with leaks.

As a longtime lawman, Mr. Mueller should want the answers to those questions. Public trust in the FBI and Justice Department is plummeting, and Mr. Mueller could crown decades of public service by helping to restore it. But that will take a great deal of objectivity indeed.

Write to kim@wsj.com.

BOOKSHELF | By Robin Hanson

Grandmasters Vs. Gigabytes

Deep Thinking

By Garry Kasparov
(PublicAffairs, 287 pages, \$28)

Remember those inspiring but tragic tales of humanity's last cashiers and travel agents struggling against the relentless robots coming to take their jobs? The thrill of competition, then the agony of defeat? Me neither. Few readers would be interested in such stories anyway. But world chess champion Garry Kasparov is hoping that you'll want to hear his own account of a man being beaten by machines.

On May 11, 1997, he became the first world chess champion to be beaten by a computer, IBM's Deep Blue. Though he had won against the computer easily just a year before, this time a greatly improved opponent defeated him and, at times, broke his composure. In a rare blunder, he even resigned from a position that would have led to a draw. Mr. Kasparov says that his book

"Deep Thinking: Where Machine Intelligence Ends and Human Creativity Begins" contains the first account of this match "that has all the facts and the only one that has my side of the story."

Though he had previously voiced suspicions that Deep Blue's creators cheated by spying on his private team discussions, he now doubts this occurred. After all, he's seen how computers have continued to improve: Today they play chess so well the best humans don't stand a chance. But this does not make humans superfluous. More people play chess well than ever before; computer aids help players learn faster; and computer-human chess teams have become the basis of an exciting new sport.

With the benefit of time and perspective, Mr. Kasparov can admit his experience with Deep Blue says little "beyond what we already knew was inevitable, that smarter programs on faster machines would beat the human world champion sometime around the year 2000." Stepping back further, he observes that, when it comes to computer-human competition, the consistent pattern is "thousands of years of status quo human dominance, a few decades of weak competition, a few years of struggle for supremacy. Then, game over."

Though Mr. Kasparov writes knowledgeably about the computers that beat him, when he turns toward prediction-making he is prone to over-generalize from these experiences to make statements about all computers everywhere and forever. He says things like "A computer won't tire . . . or [get] distracted" and "computers . . . don't understand general concepts" or know how to bluff. Well, today computers don't, but tomorrow they might. "Machines cannot dream," he writes, "not even in sleep mode." Again, true today, but who can say how far computers might improve?

Mr. Kasparov's most flowery and emotional language arises when addressing the issues in his subtitle. "To keep ahead of the machines," he writes, "we must not try to slow them down because that slows us down as well." Though I tend to agree with such claims, they are more preached than argued in this book, and there's not much analysis behind Mr. Kasparov's predictions, or his assertion that "machines will . . . [take] over the more menial aspects of cognition, . . . elevating our mental lives toward creativity, curiosity, beauty, and joy."

Kasparov now believes computers will take over menial mental tasks and thus allow humans to pursue 'creativity, curiosity, beauty, and joy.'

On other topics, Mr. Kasparov makes many thoughtful observations. Eager for big education reforms, he laments that we often avoid big innovations, and instead pretend that small ones are big. He perceptively observes that "many things we call innovations are little more than the skillful accumulation of many little optimizations." And, he notes, "the potential for change is much greater than our appetite for it."

Interestingly, Mr. Kasparov also believes that there's nothing special about chess as a metaphor for other activities or as an intelligence test for humans or machines. It was a big mistake, he thinks, for early computer researchers to expect "that if a machine could be taught to play chess well, surely the secrets of human cognition would be unlocked at last." Specialized chess machines can be a fine sport, but the quest to understand human general intelligence should invest elsewhere: Most things our minds do aren't much like playing chess.

Given his history, you might expect Mr. Kasparov to sell his story as an aid to seeing how computers will come for your job. "Every profession will eventually feel this pressure," he says. But his advice to workers runs more to timeless practical maxims, such as "hard work is a talent," "a bad plan is better than no plan" and "if you change your strategy all the time you don't really have one." More than any such specific observations, however, what I value most in this book is Mr. Kasparov's own example. He sets himself forward as an intelligent, honest and self-critical person, working hard to adapt to and understand his world. The author admits to being a sore loser and apologizes for not being gracious after the Deep Blue defeat. He worries that his age and success limit his openness to changing his thinking, about chess and more, and sees little point in debating the meaning of "intelligence."

I've always been a bit skeptical of the high status of chess champions, whom many consider intellectuals (rather than, say, sports stars). But in "Deep Thinking," Mr. Kasparov has changed my mind. He praises Mikhail Botvinnik, the founder of the Soviet chess school where he trained, for practicing an "intense regime of self-criticism." Chess champions are rewarded for brutal honesty about their habits and strategies. If only most tenured professors and business executives were this conscious of their limitations and blind spots.

"Few young stars in any discipline are aware of why they excel," Mr. Kasparov writes. Like Mr. Kasparov, I don't know why he was great. But I know now why I'm glad we have him. We need at least a few of our most celebrated minds to be this intellectually honest with themselves, and with us.

Mr. Hanson is a professor at George Mason University and the author of "The Age of Em: Work, Love, and Life When Robots Rule the Earth."

Coming in BOOKS this weekend

A life of economist Paul A. Samuelson • 'Sgt. Pepper' and the 1960s • Redcoats and war crimes • Michael Crichton's bone wars • Penicillin and the birth of big pharma • New fiction from Tessa Hadley and Richard Russo • & more

The Bishop Who Took On the Führer

HOUSES OF WORSHIP
By Sohrab Ahmari

A poor widow visits a hospital for disabled children. She has brought fruit bread for the medical director and biscuits for her epileptic son, who is being treated there. It's been nearly a year since her child was taken away and hospitalized. "Couldn't I see him now, just for a moment?" she begs. The director refuses. "It's the regulations, I'm afraid, Frau Pabst."

The year is 1941. The country, Germany. What Frau Pabst doesn't know—what the director can't bring himself to tell her—is that her son is dead. He was killed as part of Aktion T4, the Third Reich's program of involuntary euthanasia targeting "lives unworthy of life," in the Nazis' phrase.

This nearly unbearable scene appears in "All Our Children," a drama showing at the Jermyn Street Theatre in London's West End. The setting, plot and most of the characters are fictional. But the historical background is factual. "All Our Children" presents a gripping theatrical account of the Nazis' project to liquidate the disabled—and one Catholic prelate's struggle to thwart it.

One criticism of the bishop, not entirely unfounded, is that although he went to great lengths to defend the church against Nazi anti-Catholicism, he didn't speak out nearly as forcefully against hatred of Jews. Galen protested in a letter that this risked undermining Catholic teaching on the "historical mission of the people of Israel" and the "obligation to act with charity toward all men."

In the fall of 1933, Münster's school superintendent decreed that religious education should include discussion of the "demoralizing power" of Jews. Galen protested in a letter that this risked undermining Catholic teaching on the "historical mission of the people of Israel" and the "obligation to act with charity toward all men."

Galen, born into an aristocratic family, initially made peace with National Socialism.

He saw it as an antidote to the humiliation of Versailles and the moral decay of Weimar. He was quickly disillusioned. Nazism was a dangerous "pagan" ideology, he wrote in a 1934 pastoral letter. The bishop's ecclesiastical stature and moral gravitas made him difficult to silence.

In the play, Galen visits the clinic to help the medical director see the light. The essence of Christianity, he says, is to recognize Jesus in the suffering of the weak and vulnerable. Though the director is an atheist, something about this holy man moves him to defy his SS superiors and stop the killing, at least briefly.

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That part is pure fiction. Yet shortly after the bishop's homily in 1941, T4 was terminated. By then 70,000 to 100,000 innocents had been murdered. Another 100,000 people with

Innocent Germans were being murdered, he told his diocesans, "because in the judgment of some official body, on the decision of some committee, they have become 'unworthy to live,' because they are classed as 'unproductive members of the national community.'"

He asked: 'Have you, have I, the right to live only so long as we are productive?'

He went on: "Poor human beings, ill human beings, they are unproductive, if you will. But does that mean that they have lost the right to live? Have you, have I, the right to live only so long as we are productive?" The Nazis couldn't erase "Thou shalt not kill," he said, because it was written on the heart.

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That part is pure fiction. Yet shortly after the bishop's homily in 1941, T4 was terminated. By then 70,000 to 100,000 innocents had been murdered. Another 100,000 people with

disabilities would be killed before war's end, albeit in a less sensational fashion.

It's hard not to hear some discomfiting contemporary notes in the play. Nazi crimes remain without parallel, but some European countries today boast 100% termination rates for fetuses with Down syndrome. Others allow voluntary euthanasia for patients with an ever-growing list of nonterminal conditions.

Not even the Catholic Church is immune. Lay officials at the Brothers of Charity, a Belgian religious order, plan to permit nonterminal mentally ill patients to be euthanized in the order's hospitals—over the brothers' objections. Belgian law prohibits healthcare facilities from refusing to allow euthanasia on conscience grounds. Violators risk fines and damages.

That's nothing compared with what Galen faced. The Nazis placed him under house arrest in late 1941 and considered hanging him before deciding against it, fearing a popular backlash in Münster.

Galen survived Hitler. He was created a cardinal on Feb. 21, 1946, in implicit recognition of his anti-Nazi stance, and died a month later. Pope Benedict XVI beatified him in 2005. The Lion of Münster's episcopal motto was *nec laudibus nec timore*—neither by flattery nor by fear.

Mr. Ahmari is a Journal editorial writer in London.

A Feminist Before It Was Cool

By Elisha Maldonado

When I worked at a bookstore on New York's Upper East Side almost a decade ago, I had a mission: Whenever I saw a young girl carrying a copy of "Twilight," I'd try to sell her instead on L.M. Montgomery's ageless "Anne of Green Gables." Anne is, after all, perhaps my generation's most beloved childhood heroine.

The story of a young orphan girl growing up on Canada's Prince Edward Island, the 1908 novel has inspired a bevy of films, TV shows and stage performances, and over the weekend Netflix began streaming the latest adaptation, "Anne with an E." The release inspired a group of my fellow 30-something friends and me to gather in a Harlem apartment to watch what, for us, remains the one and only version: the 1985 Canadian miniseries starring Megan Follows.

Very simply, the tale begins with Anne arriving at Green Gables after she is accidentally sent to live with Matthew and Marilla Cuthbert, middle-aged siblings who had wanted a boy to help work their farm. Instead, they get Anne, a skinny redheaded girl who "could talk the hind leg off a mule."

'Anne of Green Gables' gets a Netflix reboot, but the classic lives on.

Anne is inquisitive and continually grows into herself through good books, deep female friendships (in the "kindred spirit" sense) and a male contemporary, named Gilbert Blythe, who is intrigued by her mind and tethers her romanticism.

So much young-adult literature today takes on the social justice and gender issues of the moment. While "Anne of

Green Gables" wasn't written as a feminist book, the protagonist is the embodiment of feminism at its most fundamental and pure, in that she's always comfortably herself.

It's this notable attribute that made Anne such an aspirational character to my friends and me. She never tries to be anything other than who she is—outside of the time she tries to dye her red hair "a beautiful raven black," only to have it turn green instead.

But as lovely as Anne is, she also needs friends and companions, other lights to illuminate her facets. This is where "Anne of Green Gables" sets itself apart from almost anything you could read today on womanhood and feminism. Anne develops into a mature and sharp young woman through her relationships with strong female mentors like Marilla, her teacher Miss Stacy, and her bosom friend Diana Barry.

These ladies teach Anne to

embrace her femininity and show her that she doesn't have to act manly to compete with the men—even though she does compete with Gilbert academically.

Marilla, from her own experience, implores Anne not to give up on love, while still encouraging her career ambitions—atypical advice to a young girl in the early 1900s. Miss Stacy urges her to persevere by saying, "All of these trials and tribulations that pop up in our lives serve a very useful purpose: They build character."

Like the rest of us, Anne grows and changes, but in the end she remains herself: honest, kind, loving, red-haired and self respecting. To every smart, capable, imaginative, confident woman out there today, Anne of Green Gables is a forerunner—and a kindred spirit.

Ms. Maldonado is a member of the New York Post editorial board.

OPINION

REVIEW & OUTLOOK

The Lessons of Amazon

Amazon marks 20 years as a public company this week, and if you got in on the ground floor you have a lot to celebrate. A \$100 investment in the initial public offering of the three-year-old Internet company in 1997 is worth more than \$49,000 today.

Even by the standards of successful Silicon Valley start-ups, that's hitting the jackpot. Wealth creation is the business of democratic capitalism, and by taking its market capitalization to \$460 billion from \$660 million in two decades, Amazon has delivered. It's worth a moment to consider some business and policy lessons.

The beauty of the free market is that entrepreneurs seeking to get rich have to make their customers better off at the same time. "It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest," Adam Smith wrote in the 18th century.

On a visit to the Journal some years ago, founder Jeff Bezos said Amazon employees focus relentlessly on what its customers need—even if they don't know they need it. That might explain how a company that started out as an online bookstore has become the most popular U.S. supplier of consumer goods.

Mr. Bezos has overturned the traditional world of retailing by acting both as a merchant and logistics company. Millions of consumers now enjoy shopping from the comfort of the sofa, and buying "with one click" at any hour. Though that has punished bricks-and-mortar competitors, Amazon's success shows that capitalist innovation is still alive in the U.S.

The problem is that there are fewer Amazons than there used to be. The Journal reported this week that today there are some 157 companies backed by venture capital that are worth more than \$1 billion, up from 61 three years ago. That's because fewer are going public on exchanges where nonrich Americans can invest in them.

President Trump's new chairman of the Securities and Exchange Commission, Jay Clayton, noted this slowdown in IPOs in his March

testimony. In 2016 some 128 companies went public in the U.S. compared to 845 in 1996. The number of publicly listed companies trading on U.S. exchanges today is down 37% since Amazon's IPO.

This is partly explained by the large pools of venture capital available to start-ups. But it is exacerbated by the heavy regulatory and filing burdens that companies face in going public due to Sarbanes-Oxley and other political brainstorms. As Mr. Clayton put it, "it is clear that our public capital markets are less attractive to business than in the past" and this limits "opportunities for Main Street investors."

Politicians like to complain that in today's economy only the rich get richer. But when the rest of America can't become equity investors in the fastest-growing companies, the wealth gap will widen. Mr. Clayton says that one of his priorities will be trying to revive the public capital markets—an admirable project.

The success of tech giants like Amazon and Google is raising new questions about antitrust policy, but the irony of Amazon is that it has benefited from overzealous enforcement. When Apple launched a platform that allowed publishers to set their own retail prices on the iPad in 2010, Amazon accused the company of fixing digital book prices, though Amazon had 90% of the e-book market. Yet average e-book prices trended down with Apple's innovation.

The Obama Justice Department took Amazon's side and sued Apple and five major publishers (including our sister company HarperCollins) charging a restraint of trade that harmed consumers. Last year the Supreme Court declined to hear Apple's appeal, and Amazon remains by far the dominant player in e-books. The Trump Antitrust Division may want to take another look at Amazon's monopoly power.

Corporate giants often gain outsize political muscle, and Mr. Bezos's Amazon is no different. But it's worth remembering that the company grew up when an entrepreneur could still access capital from a wide swath of investors and innovate without getting sued for shaking up the competition.

Roger Ailes

If Ronald Reagan was rightly called the Great Communicator, Roger Ailes, who died Thursday at age 77, has to be considered the greatest creator of communicators in the history of politics or television.

Political professionals talk about the importance of "getting your message out." Ailes knew the message mattered, but he also knew the message wasn't worth much unless you knew how to deliver it.

Ailes relished challenges, so it's no surprise that his first political client was presidential candidate Richard Nixon, who told Ailes in 1967 that TV was a gimmick. "If you think that," Ailes replied, "you'll lose again." In 1968 Nixon defeated Hubert Humphrey. Ailes would later advise Ronald Reagan, George H.W. Bush and after the trauma of 9/11 George W. Bush.

Any understanding of Ailes's success, though, must always return to the medium of television. His TV career started in 1962 in Cleveland as a property assistant for "The Mike Douglas Show," a daytime talk show. At age 27 he was executive producer for the likeable Douglas, and the show became a hit.

Ailes's biggest TV moment arrived when Rupert Murdoch, the owner of this newspaper,

asked him to start a cable news channel in 1996. Fox News rose and eventually rolled over rival cable networks CNN and MSNBC.

Ailes's competitors and critics acknowledged his success with Fox but never could understand how this "conservative" channel attracted and held so many viewers. Asked once how he accounted for

this, Ailes told us it was pretty simple: NBC, CBS, ABC and his cable competitors aimed their programming at audiences on the East and West Coasts. He programmed for the country in between.

His liberal critics smirked at his famous Fox banner, "fair and balanced," but failed to appreciate his deeper insight. A relentless competitor, Ailes thought traditional television had tilted its news and U.S. politics by elevating a single point of view. He saw a market for news and commentary that no one else offered, and he filled it (including a weekend show with Wall Street Journal editors).

Ailes's career ended at Fox amid allegations of sexual harassment, but it is hard to overstate the importance of his legacy in television and American politics. He rebalanced both in the U.S. The competition in both will continue, but Roger Ailes redesigned the playing field.

Cuomo's Nuclear Short Circuit

New York Governor Andrew Cuomo is trying to build a record of liberal accomplishment to run for President in 2020, which apparently involves cutting legal corners.

That's the contention of a lawsuit by Westchester County executive Rob Astorino, who says the Governor flouted environmental law to close the Indian Point nuclear plant.

Environmentalists have tried for decades to shut down Indian Point as a threat to public safety. While the U.S. Nuclear Regulatory Commission rates the 50-year-old plant safe, New York's high court last year said the state could review its federal license renewal application. Rather than run the regulatory traps, owner Entergy reached an agreement with Mr. Cuomo in January to close the plant by 2021.

"I have personally been trying to close it down for 15 years," Mr. Cuomo crowed. "After extensive litigation and negotiation, Entergy has agreed to end all operations at the facility" and pay \$15 million for green projects.

Yet as Mr. Astorino's lawsuit explains, Mr. Cuomo never conducted a full environmental review as required by the State Environmental Quality Review Act prior to pulling the plug. The law triggers an environmental review for almost any undertaking. If an action is determined to have a significant impact, the state must produce a comprehensive environmental analysis and seek public comment. Mr. Cuomo short-circuited the review and failed to document the economic and environmental impact of closing the plant as well as the means of mitigating the damage.

The Governor builds a progressive résumé but ignores the law.

Consider: Indian Point supplies a quarter of the electricity for New York City and Westchester County, which will be especially difficult to replace due to Mr. Cuomo's 50% renewable-energy mandate. Indian Point helps stabilize the electric grid amid intermittent solar and wind power while producing zero carbon emissions.

The Cuomo administration wants to replace nuclear power with renewables and Canadian hydropower. But solar and wind are expensive, and building a transmission line to carry hydropower from Canada to New York City won't be cheap.

The consulting firm Energy Watch estimates that Indian Point's closure will increase electricity rates by 1 to 1.5 cents per kilowatt hour. New York already has among the highest electric rates in the country. The plant also employs about 1,000 full-time workers and pays \$30 million a year to local governments. Towns and school districts may have to raise property taxes to compensate.

One irony is that Mr. Cuomo last year agreed to bail out two upstate nuclear plants to the tune of \$7.6 billion—which will be paid by state electric customers—in order to preserve jobs. Now the White House aspirant is charging ratepayers billions more to prematurely close a nuclear plant that doesn't need subsidies.

Meanwhile, Mr. Cuomo is blocking fracking and a pipeline to deliver cheap natural gas to upstate New York. The Governor's policies often harm state residents and taxpayers, but on Indian Point he may also be violating the law.

LETTERS TO THE EDITOR

Is Ryan's Plan BATs and VATs in the Belfry?

In his May 12 op-ed "On Tax Reform, Ryan Knows Better," Laurence Kotlikoff praises the value-added tax and points out that "every developed country has a VAT," which he sees as a wealth tax and a means of bringing more revenue to the federal government. Why would America want to follow the model of those European "developed countries" with their moribund economies, high levels of debt and with many of them close to fiscal collapse?

While it is true that the VAT raises huge amounts of revenue for the government, our focus needs to be on reducing government spending, not finding a new way to extort money from the private sector to send to Washington. The imposition of the VAT has led to vastly increased tax burdens and increased government spending in European countries.

The worst feature of the VAT is why politicians love it. The VAT rate is easy and painless to increase. Because it is a hidden tax buried within the price of goods, consumers don't realize it is the government that is driving up costs as prices increase.

ELLEN SAUERBREY
Baldwin, Md.

Mr. Kotlikoff egregiously mislabels Speaker Paul Ryan's 20% border-adjusted tax (BAT) as nothing more than a value-added tax. In a sense this is all academic because it is plain that business pushback from retailers and other importers (like oil refiners)

makes the BAT politically impossible.

But we ought to be honest with the terms we use. The BAT is not a VAT because no VAT in the world excuses domestic sales from the tax, as the Ryan BAT does. As to the supposed new wage subsidy, that's from the effect of allowing a deduction for wages paid, which our income tax does quite nicely today. Since the BAT does excuse domestic sales while taxing all imports, in effect it is a tariff—a plain violation of settled World Trade Organization rules.

W.D. THIES
New York

Mr. Kotlikoff notes that the Ryan plan with a VAT component introduces an element of fairness since lower-paid workers would see rising wages and the more affluent would "pay the VAT when they spend wealth that was earned years or decades ago." He seems to like the idea of effectively raiding the already-taxed savings of those who planned for retirement by devaluing the purchasing power of those who prudently delayed gratification to prepare for their retirement years.

Raising the cost of goods and services would also effectively devalue both fixed pensions and Social Security benefits. This VAT would seem to be a plan to raid the assets and income of prudent retirees, flunking the fairness test.

JAMES W. BENEFIELD
Dunedin, Fla.

Skilled Trades Are Well Paid, There Are Jobs

Rep. Tom Suozzi's "When the Welders Came to Capitol Hill" (op-ed, May 15) further confirms what we have seen for years in the trades—a mismatch of skills and changing demographics. The apprenticeship model is only one piece of the puzzle. Vocational schools must recruit in middle and high schools, as their university counterparts do, with an emphasis on personal success stories. If students see a poster of welders who sat in their same classroom three or four years earlier, who now make an upper-middle-class wage, they will become interested. Technical schools

also must invest in high-school partnerships and classroom equipment donations.

Why aren't we selling top-performing high schools on the economic opportunities the trades offer? Unions have an important role to play, but they must modernize their marketing practices and recruiting techniques—de-emphasize politics that divide and focus on the incredible projects that union labor builds and maintains. It would also help if more credit was given to technical education toward a multiyear apprenticeship. National certification standards are fine, but it has been our experience that a single publisher cannot provide all the an-

swers for a curriculum.

Will we rise to the challenge and start producing the talent needed for a 21st-century labor market? It may well be the difference between growth and stagnation.

RYAN BLYTHE
Georgia Trade School

New jobs are created in the private sector by employers, not politicians. The welders would have enjoyed more success in their quest had they spoken with employers.

ROBERT ALLAN SCHWARTZ
Lexington, Mass.

I reflect on the hundreds and perhaps thousands of welding jobs created in Pennsylvania by fracking for natural gas and the pipelines required for its transportation. It is a shame New York state doesn't tap into this middle-class job creator. Then maybe the state could stop its multiyear national television ad campaign about how business is booming.

RAE BURTON
Upper St. Clair, Pa.

Ben Franklin said it best, "He who hath a trade, hath an estate."

BOB O'CON
Tarpon Springs, Fla.

We Should Do Better Than the Asylums of Old

Regarding Howard Husock's ("Decades in an Asylum Wasn't the Worst Fate," op-ed, May 6): My brother was born with mental retardation and has been in care for most of his 75 years. He was in the Pacific State Mental Hospital in California during the period of "deinstitutionalization" that Mr. Husock cites. Many patients were simply dumped outside the gates of the hospital to fend for themselves. Some, like my brother, received what was then a revolutionary kind of care. He was

Public Employees Get Such A Golden Fringe: You Don't

Sick-leave benefits for Massachusetts public-sector employees have been overgenerous and misused for years ("Fury Over Sick-Day Payouts," U.S. News, May 11). Sick leave accrues at the rate of 1.25 days a month, or 15 days a year. The justification for the bloated accrual rate was that there was no provision for disability benefits, but nothing was altered when disability benefits became available. In addition to the retirement cash-out boondoggle, employees routinely use sick leave for "mental-health days," i.e., vacation.

ROSEMARY FORD
Chapel Hill, N.C.

Ms. Ford is a Massachusetts public-sector union retiree.

If colleges, states and municipalities were run as businesses, these payouts wouldn't happen. Corporations learned a long time ago to encourage associates to "use it or lose it" annually.

KAREN TRAME
Florence, Ky.

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Pepper ... And Salt

THE WALL STREET JOURNAL



"Bar-hopping. And you?"

OPINION

Trump Goes to Saudi Arabia

By Karen Elliott House

President Trump will receive an effusive welcome here from his royal hosts determined to underscore that once again Saudi Arabia and the U.S. are close allies. Barack Obama favored Iran, but that's over. King Salman, 81, is gathering 50 Islamic leaders to meet Mr. Trump. This unprecedented assembly is intended to show not only that Saudi Arabia is the leader of the Islamic world but that Muslim leaders support the U.S. against Islamic State terrorists.

While the elderly monarch is host, the indisputable power behind the throne is his young son, Deputy Crown Prince Mohammad bin Salman, 31. He is orchestrating a two-day summit spectacular that will star Donald Trump and the new face of Saudi Arabia—a country now enjoying once-forbidden entertainment and a much larger role for women, who may be allowed to drive as early as this summer. Conservatives see the but can't block change.

Given the badly frayed relations between the U.S. and Riyadh, the president is guaranteed a win.

The young prince and the president have much in common. Both are outsiders, brash, unorthodox and new to politics. Each faces strong opposition at home. Both seek to spur economic growth by reducing the role of government. And each is fighting orthodoxy: MBS, as the prince is known, wants to curb the role of religion and tradition, which inhibit modernization, while Mr. Trump battles leftist orthodoxy and political correctness. Both are smart marketers.

Mr. Trump's presence is an opportunity for the prince to show off his modernization effort. An extravaganza featuring something for



Prince Mohammad bin Salman visits the White House, March 14.

terrorists, King Salman seeks to tie the House of Saud to the Trump family. The king has just named another of his sons, Khalid, 29, a former fighter pilot, as ambassador to the U.S. Sending his son to Washington is a very personal gesture to a president with family working in the White House.

Prince Mohammad faces much tougher domestic challenges than President Trump does. The prince has to transform an economy and society long addicted to oil revenues, which have collapsed, and persuade coddled Saudis they must work. Mr. Trump is trying to raise U.S. GDP growth to 3% from 1%; Saudi Arabia has no growth. Mr. Trump seeks to spur U.S. energy production, while the prince is suppressing Saudi production to stabilize prices, in part weakened by growth in U.S. oil production. The U.S. got good news that unemployment is down to 4.4%. Saudi unemployment officially is 11%, but among the 70% of Saudis under 30 the true figure is triple that.

Mr. Trump, for all the angry opposition at home, is more secure than the deputy crown prince. Should his father die, a new king may remove Mohammad bin Salman. Some Saudis believe King Salman will promote MBS to crown prince and thus next in line to be king—but he hasn't yet done so.

Regardless of these uncertainties, Mohammed bin Salman is confidently pushing ahead with ambitious plans to transform Saudi Arabia. Like Mr. Trump, the prince needs some clear wins over the next several years—an end to the costly Yemen war; successful privatization of Aramco, the national oil company, and other government companies set for public sale. He must persuade skeptical citizens that his plans will in coming years provide Saudis a prosperous life without dependence on oil.

Ms. House, a former publisher of The Wall Street Journal, is the author of "On Saudi Arabia: Its People, Past, Religion, Fault Lines—and Future" (Knopf, 2012).

everyone—the Harlem Globetrotters taking on a Saudi basketball team, car races, country singer Toby Keith—is intended to convince Americans there is a new, open Saudi Arabia and Saudis that mixing cultures and sexes isn't evil.

How can the son of a king be an outsider? In a culture that reveres age, especially among the royal family's thousands of princes, the appointment last year of a young man who isn't a senior prince, nor even his father's eldest son, came as a shock. Like Mr. Trump, Mohammed bin Salman faces a "resistance" in the form of determined opponents among his royal relatives. Social media has created a "virtual opposition" by enabling disgruntled citizens to express their views.

So both the prince and the president seek success to bolster their leadership, easier to achieve in diplomacy than domestic affairs. Given the badly frayed state of U.S.-Saudi relations, Mr. Trump is guaranteed a win, at least with Saudis, because he isn't Barack Obama. The president has further pleased Riyadh by making this his first stop on his first foreign trip. No president has ever put Saudi Arabia first so visibly.

But the Saudis want concrete support once Air Force One lifts off for Israel, Rome and then a NATO summit in Brussels. Both countries see

Iran as a threat, but the U.S. president demands more burden-sharing from allies. So the prince, who also is defense minister, is said to be ready to invite the U.S. military back to Saudi bases vacated in 2003 in the face of opposition to foreign troops in the land of the two holy mosques. Riyadh is fighting a costly war against Iran-backed Houthi rebels in Yemen, and the prince wants more U.S. support.

If the leaders agree to return the U.S. military here, it would mark a significant new commitment to Saudi Arabia's defense—and surely be seen by Iran as a provocation. It would be a clear triumph for both leaders—and a repudiation of Mr. Obama's exhortation that Saudi Arabia "share the neighborhood" with Iran.

The U.S. wants to curb Iranian expansion but may be cautious about new entanglements as Saudi-Iranian tensions are rising. Prince Mohammad recently slammed the door on any dialogue with Iran, insisting that Tehran seeks domination of the Muslim world. "We know we are a major target," he said. "We will not wait until the battle is in Saudi Arabia, but we will work so the battle is there." Iran immediately warned that if Riyadh persisted with "such stupidity," nothing will be "left in Saudi Arabia except Mecca and Medina."

Beyond bases and Islamic nation support in the fight against ISIS

team uses the mixed-race quarterback.

The same risk does not exist if an NFL decision maker mishandles rookies like Mitchell Trubisky and Deshaun Watson, or veterans such as Blaine Gabbert and Geno Smith. A coach knows he can bench or cut any NFL quarterback, except Mr. Kaepernick, without having his personal integrity questioned. This explains why former Kaepernick backup Mr. Gabbert has already signed a one-year contract with the Arizona Cardinals. Critics of the Gabbert acquisition can question Arizona head coach Bruce Arians's football acumen without politics becoming an issue. Mr. Gabbert is in that way an ideal backup: somewhere between invisible and boring.

Former quarterback Tim Tebow's rabid, irrational supporters undermined his NFL opportunities in much the same fashion as Mr. Kaepernick's. In 2011 he started 11 games for the Denver Broncos and led them to a come-from-behind playoff victory over the Pittsburgh Steelers. In celebration of big plays and touchdowns, Mr. Tebow knelt in prayer and became a polarizing religious symbol. He was also a below-average passer. The Broncos, and several other teams, discarded the fervent Christian when it became clear his production didn't justify the controversy associated with his presence.

Mr. Kaepernick's kneeling is an even riskier proposition. The social-justice warrior has cultivated media alliances far more aggressively than the pious Mr. Tebow. Mr. Kaepernick is also closely aligned with Black Lives Matter media activists. No NFL owner, executive or coach—regardless of race—wants his football decisions second-guessed in the tendentious way BLM activists Monday-morning-quarterback police officers.

In reality, the 29-year-old has struggled to find work because his supporters inflated the risk of signing him, and his skills don't compensate for the uncertainty he brings. An owner, general manager or coach runs the risk of being publicly vilified as racist depending on how his

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The 25th Amendment? Forget It

By Brian C. Kalt

Interest in Section 4 of the 25th Amendment is peaking. Multiple amateur constitutional scholars have advocated its use to remove President Trump from office, as an alternative to impeachment. But Section 4 is a tool for a different job. Its use under today's circumstances has the potential to tear the country apart.

Section 4 is not a suitable substitute for impeachment. To be sure, impeachment sets a high bar: a majority in the House, then two-thirds in the Senate to convict and remove an official. Section 4 sounds easier: If the vice president and a majority of the cabinet declare the president "unable to discharge the powers and duties of his office," the vice president becomes acting president.

Impeachment would be a picnic by comparison with Trump opponents' latest brainstorm.

Section 4 is a great solution if the president is missing or comatose, but a terrible one when he is conscious and in full control of his Twitter account. The first difficulty is that the president can contest the cabinet's action. If he does, Congress assembles, debates and votes. Unless two-thirds of both House and Senate vote within 21 days to back the cabinet, the president retakes power. Because impeachment requires only a simple House majority, it is easier for the president to defeat a Section 4 action than to avoid impeachment.

Further, if the president loses a Section 4 vote, he is displaced only temporarily; nothing stops him from trying again. All he needs is the support, one time, of more than a third of either the House or Senate.

Some argue that impeachment is limited to high crimes and misdemeanors, making it inappropriate for the case of someone who is (as Mr. Trump's calmer critics describe him) simply in over his head. But anyone who wields as much power as the president and who is grossly incompetent surely will have done something that rises to the level of an impeachable offense.

Section 4 is also horribly hazardous. The fatal flaw emerges from this passage: "When the President transmits . . . his written declaration that no inability exists, he shall resume the powers and duties of his office unless the Vice President and a majority of [the cabinet] transmit within four days . . . their written declaration that the President is unable to discharge the powers and duties of his office."

After reading that, who do you think holds presidential power during the four-day waiting period between the president's declaration and the cabinet's counterdeclaration? The answer is the vice president. The best reading of the text and the only reading of the crystal-clear legislative history is that the president does not immediately resume power.

Several intelligent but poorly informed commentators have gotten that wrong and said that the president would retake power immediately. A besieged president would have a tremendous incentive to look at the text, interpret it favorably to himself, and rally his supporters around that interpretation. He would assert that he had retaken power immediately and—showing his ability to discharge the powers and duties of his office—he would fire his disloyal cabinet and name more-agreeable allies as acting secretaries.

The old cabinet could fight back in Congress and in court. The best reading of the law would be on their side. But how confident are you that the winner would be determined by a careful consideration of legislative history?

Any president who could speak on his own behalf would be in a position to prolong the struggle. And what a struggle it would be, with two men claiming to be president and two rival cabinets. Even if Congress or the courts resolved the issue, and even if everyone involved respected their authority, being in such a situation for even an hour could wreak serious harm to the country. Because impeachment works better than Section 4 here, this terrible risk is also a needless one. Please, keep the 25th Amendment in reserve for the kind of emergency it was meant to address.

Mr. Kalt is a law professor at Michigan State University and author of "Constitutional Cliffhangers: A Legal Guide for Presidents and Their Enemies" (2012).

Colin Kaepernick Is a Victim of His Own Supporters

By Jason Whitlock

Quarterback Colin Kaepernick became a hero to progressive activists—and a polarizing figure among National Football League fans—when he began kneeling during the national anthem last season. His protest of police misconduct won him plaudits from the sports media, but he has been jobless since parting ways with the San Francisco 49ers earlier this year. Progressives believe Mr. Kaepernick is a victim, and I agree. The question is who made him one.

What team owner would risk being vilified as racist if things don't go well for the quarterback?

The sports press wants you to believe Mr. Kaepernick, who recently received interest from the Seattle Seahawks, remains unemployed thanks to the racist collusion of 32 conservative billionaire team owners. ESPN commentator Bomani Jones demands the media "stop hiding behind code" and address this "visible potential case of discrimination." The normally measured Tim Kawakami wrote in a rambling column that a lesser quarterback already signing with an NFL team proved Mr. Kaepernick was being blackballed.

In reality, the 29-year-old has struggled to find work because his supporters inflated the risk of signing him, and his skills don't compensate for the uncertainty he brings. An owner, general manager or coach runs the risk of being publicly vilified as racist depending on how his

Above all, talent drives NFL decisions. The proof can be seen in the Cincinnati Bengals' choice of 20-year-old running back Joe Mixon in the second round of last month's draft. Mr. Mixon enters the league after the release of year-old video showing the young African-American breaking a white woman's jaw. Mr. Mixon reached an out-of-court settlement with the victim and apologized publicly.

In the NFL meritocracy, Mr. Mixon's talent dictates that he be given an opportunity to redeem himself as a man while playing professional football. In the minds of Bengals head coach Marvin Lewis and owner Mike Brown, Mr. Mixon's talents justify dealing with the controversy and baggage that accompany his employment. These same factors allowed former NFL star quarterback Michael Vick, who is also black, to land a job with the Philadelphia Eagles after spending time in prison for running a dogfighting operation.

Mr. Whitlock is a co-host of "Speak for Yourself" on Fox Sports 1.

The True Trade Deficit

By Martin Neil Baily
And Adam Looney

Protectionists like to cite the U.S. trade deficit—last year imports of goods and services exceeded exports by \$501 billion—as evidence that unfair trade agreements have hurt American competitiveness. But a new working paper from the Bureau of Economic Analysis, published in March, challenges this narrative: Turns out, America's trade deficit isn't nearly as large as the official figures suggest.

To illustrate this finding, the economists Fatih Guvenen, Raymond Matalloni, Dylan Rassier and Kim Ruhl examine the iPhone. The device is said to be "Designed by Apple in California. Assembled in China." Yet to lower its tax bill, Apple reports that its iPhone profits were earned in neither place, but were instead accrued in some other country.

Assume an iPhone is assembled in China for \$250 and sells in Europe and the U.S. for \$750. Apple's profit is \$500. Often that economic value gets attributed to an Apple subsidiary set up in a low-tax nation like Ireland or Luxembourg.

If most iPhone development is actually done in California, most of the \$500 represents American production and should be included in U.S. gross domestic product. Then, when an iPhone is sold in Europe, that value should count as an export from the U.S. When a phone is instead sold in the U.S., the net amount of the import should only be the \$250 cost of manufacturing in Asia, since the rest is produced by Californians.

In other words, more than half the goods and services that were counted in the U.S. trade deficit actually were produced right here in America. This makes it harder to argue that an outsize trade deficit is responsible for American manufacturing's woes. It's true that traditional blue-collar workers have had trouble competing globally. But high-skilled American workers and the companies that employ them have been competing just fine.

The redistribution of income away from high school grads is certainly one of the most difficult challenges that the U.S. economy faces. But as this new evidence makes clear, the source of the problem isn't the trade deficit.

Messrs. Baily and Looney are senior fellows at the Brookings Institution.



DARKLY ABSORBING

...WRENCHING POWER OF AN ARTHUR MILLER CLASSIC

TV
GUIDE
MAGAZINE

“GRAND-SLAM...TERRIFIC...COMPELLING”

THE BALTIMORE SUN

“COMPLEX
AND ACCOMPLISHED”

Indiewire

“DE NIRO
STEALS THE SHOW”

DAILY NEWS

“CAPTIVATING
...POWERFUL”

The Boston Globe

“A SUPERB MICHELLE PFEIFFER
...BRILLIANT DIRECTION”

THE HUFFINGTON POST

“ROBERT DE NIRO EXCELS...
ONE OF HIS BEST SCREEN PERFORMANCES”

The New York Times

“GRIPPING”

VOGUE

“INTIMATE,
UNSETTLING PORTRAIT”

The Atlantic

“RIVETING...
POWERFUL AND TIMELY”

W

“THE ACTING IS IMPECCABLE
DIRECTION SCALPEL-SHARP”

Newsday

THE WIZARD
of LIES

AN HBO FILM
SAT AT 8PM

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday, May 19, 2017 | B1

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U.S. Probes Russia's Grip on Citgo Assets

Officials are worried about Rosneft's role as a major creditor to parent PdVSA

U.S. financial authorities are looking into the Russian government's growing leverage

By Jay Solomon in Washington and Bradley Olson in Houston

over Citgo Petroleum Corp. amid heightened concern that the Kremlin is seeking to use energy as a political weapon

against the U.S., according to U.S. and congressional officials.

Russia's state-owned oil giant PAO Rosneft in recent months has amassed debt that is backed by a near-controlling stake in Citgo, the Houston-based subsidiary of Venezuela's Petróleos de Venezuela SA, or Pdvsa. In the event of a debt default—a prospect seen as increasingly likely by U.S. officials and Wall Street—Rosneft would be in a position to engineer a takeover.

The move has sparked concern inside the Treasury and State departments—as well as on Capitol Hill—that Rosneft could seek to eventually gain

control of Citgo's vast energy assets inside the U.S., which include three oil refineries, nine pipelines and nearly 50 petroleum platforms, these officials said.

The matter also could further drive a wedge between Washington and Moscow as they continue to squabble over sanctions and diplomatic efforts to broker a peace deal in Syria.

"This is an issue that I'm aware of," Treasury Secretary Steven Mnuchin told a congressional hearing on Thursday, referring to the concerns about Rosneft. "I can assure you that this, like any other

national-security issue, will be reviewed."

The examination of Citgo marks the second time the Trump administration has looked into the operations of Rosneft since taking office in January. The Russian company and its chief executive officer, Igor Sechin, both were sanctioned by the Treasury Department in 2014 in the wake of Moscow's annexation of the Crimea region of Ukraine.

Last month, President Donald Trump personally ruled against an attempt by Exxon Mobil Corp. to renew a joint venture with Rosneft in the Black Sea. But U.S. lawmakers

on Thursday said any issue involving Mr. Trump and Russia will be closely scrutinized on Capitol Hill, due to the intensifying federal and congressional investigations into contacts between his aides and Russian officials during the 2016 presidential campaign.

The Trump administration and Russian officials have denied any improper contact.

"When I pressed the secretary on this issue at today's Banking Committee hearing, I was pleased to hear him indicate that he and the department were treating the potential takeover of Citgo by Rosneft as a serious national-

security threat," Sen. Robert Menendez (D., N.J.) told The Wall Street Journal. "In the event that Pdvsa does default on its debt, I expect the secretary to thoroughly review the implications this could have for the integrity of our energy infrastructure and national security."

Multiple U.S. companies have claims on Venezuela's assets that date to the country's seizure of billions of dollars worth of their business operations, and any fight over Citgo could last years.

Democrats have raised questions about a \$500,000 Please see CITGO page B2

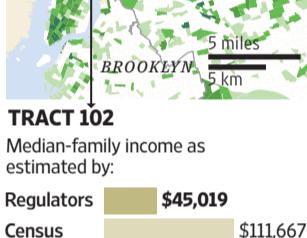
For Richer or Poorer

Banks in New York have clustered branches in an area regulators have deemed lower income but that isn't by other measures.

Bank branches per census tract

■ 1 ■ 2 ■ 3-5 ■ More than 5

□ No branches



Median-family income as estimated by:

Regulators \$45,019

Census \$111,667

Population: 230

Bank branches: 22



Sources: 2016 LendingPatterns.com analysis, WSJ research (maps, branch count); Federal Financial Institutions Examination Council, Census Bureau (income estimates, population)

THE WALL STREET JOURNAL



To federal bank regulators, Midtown Manhattan, despite its banks and Cartier and Ferrari stores, is a poor neighborhood.

Banks See Low Income Where the Rich Shop

Branches crowd ritzy Manhattan district where struggling earners help institutions pass regulatory tests

BY RACHEL LOUISE ENSIGN AND ANNAMARIA ANDRIOTIS

To any casual observer, the area just south of Trump Tower in Midtown Manhattan is obviously wealthy: The blocks are crowded with skyscrapers, and stores include Versace and Ferrari. Diners

can pick at the foie gras and caviar on La Grenouille's \$172 prix fixe dinner menu.

In the eyes of federal-bank regulators, though, that sliver of New York is a poor neighborhood where median incomes are relatively low.

The anomaly has yielded a hidden benefit for banks

such as J.P. Morgan Chase & Co. and Wells Fargo & Co. that have crowded branches into the area. Having robust branch representation in supposedly low-income areas gives them a better score on a key regulatory test that can help determine how fast they expand.

It is all part of the Community Reinvestment Act, a roughly four-decade-old federal law designed to stop lending discrimination in low-income neighborhoods. In recent years, lawmakers and regulators have clashed over the legislation's efficacy. CRA proponents count

it as a bulwark for those struggling to keep up in a financial system that has grown more unequal. Critics say the law's implementation encouraged banks to make bad loans that contributed to the financial crisis.

Neighborhoods such as

Please see BANKS page B2

Vistra, Dynegy In Talks To Tie Up

BY MATT JARZEMSKY AND DANA MATTIOLI

Vistra Energy Corp. has made a takeover approach to debt-laden rival Dynegy Inc., according to people familiar with the matter, a tie-up that would create one of the country's largest independent power producers.

The Texas power companies are in preliminary talks, some of the people said. It is far from guaranteed the talks will lead to a deal, but if they do, it would be sizable: Each company has a enterprise value, including debt, of about \$10 billion, according to S&P Capital IQ.

Dynegy has a colorful history that includes a merger flirtation with Enron Corp. on the eve of the energy trader's bankruptcy and its own chapter 11 case five years ago. Dynegy is a wholesale power producer with 50 plants in 12 states, producing enough energy for 25 million homes. Customers include utilities and municipalities as well as financial players like banks and hedge funds.

The Houston company also has a retail business that provides electricity to 963,000 residential customers in Illinois, Ohio and Pennsylvania, according to its annual report.

Dallas-based Vistra operates Luminant, which produces and sells power on the open market, and retail-electricity provider TXU Energy Inc., which serves 1.7 million residential and business customers in Texas. Tacking on

Please see DYNEGY page B6

STREETWISE By James Mackintosh

A Short-Term Outlook Drives New R&D Model

What's the point of a company if it outsources the development of its own future?

This question is being tested by new arrangements in which outside investors finance the internal research and development inside large corporations.

The deals provide finance for specific development projects—such as expensive late-stage drug trials or the development of a new jet engine—with the backers typically rewarded with a share of future sales but the possibility of losing the entire investment.

The first major R&D financing outside the pharmaceutical sector is due to mature later this year, according to one person close to the project. It is likely to hand 15% to 20% annualized returns to the backers of General Electric Co.'s GE9X jet engine, far more

than GE's own cost of capital. The engine will power the new Boeing Co. 777X and has already reached the testing stage.

"It's an innovative use of capital to fund scientific innovation," says Ken Manget, global head of relationship investing at Ontario Teachers' Pension Plan. He wouldn't give details of the financing, but Ontario Teachers' put up about \$50 million, according to a person familiar with the matter, and state-owned Development Bank of Japan another \$100 million for the second stage of development of the engine.

The deal should prompt public shareholders of GE—and the drug companies using even more outside finance for research—to take an existential accounting: Why hold stock in the developer of the first U.S. jet engine if you don't want it to spend your cash researching jet engines? The same goes

Please see STREET page B2

Stocks, Dollar Turn Back Up

BY AKANE OTANI AND RIVA GOLD

U.S. stocks rose broadly Thursday, bouncing back from their worst session of the year.

Some of the sectors hit the hardest a day earlier were among the biggest gainers, including shares of financial and technology companies.

The Dow Jones Industrial Average added more than 150 points intraday before paring gains heading into the close, finishing up 56.09 points, or 0.3%, at 20663.02. The S&P 500 added 8.69 points, or 0.4%, to 2365.72, and the Nasdaq Composite rose 43.89 points, or 0.7%, to 6055.13.

Some traders said buyers were likely stepping in to take advantage of Wednesday's selloff, which sent the Dow industrials to their steepest one-day decline since September.

"A one-day move didn't cause any panic," said Mohit Bajaj, director of ETF trading solutions at brokerage WallachBeth Capital.

The WSJ Dollar Index, which measures the dollar against a basket of 16 currencies, added 0.4% after logging its biggest drop since March.

The Dow industrials got a

Rebound

Major indexes regained some ground lost in Wednesday's selloff.

0.5%

■ Dow Industrials

■ S&P 500

■ Nasdaq Composite

-0.5%

-1.0%

-1.5%

-2.0%

Wednesday

Thursday

Source: FactSet

THE WALL STREET JOURNAL

boost Thursday from gains in shares of Wal-Mart Stores, which rose \$2.42, or 3.2%, to \$77.54 after the retailer posted its 11th consecutive quarterly increase in same-store sales.

Apple shares climbed 2.29, or 1.5%, to 154.54 and were among the best performers in the blue-chip index.

A buoyant global economy and solid corporate earnings should help support markets, investors and analysts say.

The yield on the 10-year U.S. Treasury note climbed to 2.233% from 2.216% on Wednesday. Yields rise as bond prices fall.

INSIDE



ALITALIA GOES UP FOR SALE

ALITALIA GOES UP FOR SALE



WAL-MART FORGES AHEAD IN ONLINE ERA

WAL-MART FORGES AHEAD IN ONLINE ERA

EARNINGS, B6

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TRACT 101

Income*, regulators' estimate:

\$63,980

Income*, census estimate:

\$138,750

Population: 2,621

Bank branches: 19

TRACT 117

Income*, regulators' estimate:

\$25,055

Income*, census estimate:

\$42,426

Population: 1,783

Bank branches: 53

ST. REGIS HOTEL

St. Regis hotel.....K Street NW

Export-Import Bank.....White House

Bill and Melinda Gates Foundation.....K Street

Ritz Carlton hotel.....Pine St.

Wells Fargo HQ.....Market St.

Equinox gym.....1st St.

Neiman Marcus store.....Market St.

APPLE STORE

Apple store.....K Street

White House.....K Street

Apple store.....K Street

BUSINESS NEWS

Airlines Quicken Data Flow To Pilots

BY ANDY PASZTOR

U.S. airlines are devising novel ways to make the most of real-time flight data captured by aircraft, from enhancing landing safety to improving customer relations.

Delta Air Lines Inc. has been using a system to provide many of its pilots objective feedback about their flying skills almost immediately after every takeoff and touchdown. **Southwest Airlines** Co. and **American Airlines Group** Inc. plan to start similar programs this summer.

The specific cockpit reminders, which are either automatically printed out on paper or digitally displayed on instrument panels, target crews flying jetliner models featuring stretched fuselages, including advanced **Boeing** Co. 737s, 757s and 767s.

Handling these extra-long aircraft requires special caution; the planes' tails are notoriously prone to scrapping the ground if the nose is raised too quickly or too high, or if landing speeds are off by even a few knots.

Providing 'virtually instant feedback' to help pilots compare their performances.

Shortly after each takeoff and landing, the systems send pilots data that allows them to compare their individual commands and proficiency to company and industry performance standards that limit maneuvers close to runways.

"The idea is virtually instant feedback" to help pilots compare their performances, said Rich Kaynor, fleet captain for Delta's 737 and Airbus SE A320 fleets.

Delta declined to indicate whether providing the additional information has affected the rate of tail strikes, though company officials said the issue hasn't posed any recent safety problems.

The initiatives underscore the advantages of quickly tapping into the trove of data that today's jetliners routinely capture, from engine performance to encounters with turbulence to in-flight entertainment malfunctions.

Since the 1990s, methodical analysis of flight data and incidents spanning months or years has been an industry standard and is a major reason commercial aviation has attained record safety levels in the U.S. and around the globe. Airlines will continue that process, along with voluntary, nonpunitive reporting of pilot mistakes.

But increasingly, airline managers are looking to use certain categories of onboard data much more quickly. That is where highlighting tail-strike awareness kicks in.

"It has had an impact," said Capt. Kaynor. "I would like to think it has led to a preventive attitude" among crews regarding movement of the aircraft's nose near the tarmac. Pilots instantly realize, for example, if they didn't leave adequate clearance between the tail and the strip during takeoff.

Capt. Kaynor said Delta also is considering using other flight data to identify passengers who have experienced particularly bad turbulence during recent trips, possibly to send them a personalized corporate apology for the rough ride.

CSX Chief Said to Be 'Fully Engaged'

BY PAUL ZIOBRO

An undisclosed medical condition hasn't slowed **CSX** Corp. Chief Executive Hunter Harrison from modernizing and disrupting longstanding practices at the railway, the company's finance chief said.

Mr. Harrison's health has been a point of concern among shareholders since the 72-year-old with a history of medical problems joined with an activist investor to take the helm of CSX in March.

Chief Financial Officer Frank Lonergo on Thursday dismissed concerns over Mr.

Italy Says 'Arrivederci' to Carrier

Alitalia is up for sale, but government faces tall task finding buyer after years of losses

BY ROBERT WALL

Italy's government has put **Alitalia** SpA up for sale, seeking expressions of interest from bidders for the fabled airline before a June 5 deadline.

The move this week followed months of fruitless talks with labor unions and the carrier's shareholders, including its biggest, Abu Dhabi-based **Eithad Airways**.

A onetime symbol of the country's postwar *la dolce vita*, the Italian flag carrier that shuttles the pope around the world has racked up years of losses amid competition from a swarm of budget airlines in Europe.

Three years ago, Eithad poured in cash to refresh the carrier, retraining cabin crew and replacing fading interiors with Italian-designed leather seats.

But that hasn't been enough. Alitalia, in losing billions of dollars over decades, has amassed more than \$3 billion in debt. The airline, which hasn't published recent results, signaled it may have had an operational loss exceeding \$600 million last year.

Italy, Alitalia's home market, demonstrates the airline's losing battle to woo customers. In 2010, the carrier commanded 29% of the domestic market, according to Euromonitor. In 2015, the last year data are available, that had dropped to 25%, in a commercial-aviation market in which rivals typically fight hard for every 10th of a percentage point.

The three biggest budget carriers flying in Italy, meanwhile, boosted their share from just over 12% in 2010 to 16% five years later. Ireland's Ryanair Holdings PLC is now the biggest airline in Italy by



Italian actress Sophia Loren greeted fans. The airline was once synonymous with the glamorous jet set in the early 1960s.

passenger numbers.

Earlier this month, Alitalia filed for what is essentially bankruptcy-court protection from creditors, for the second time in a decade.

The airline declared insolvency after employees rejected a restructuring plan put forward by its major shareholders.

Eithad owns 49% of the airline and refused to put more cash into Alitalia without significant concessions from workers. A consortium of Italian investors owns the rest.

After failing to broker a compromise, the Italian government said it would run an auction for the airline. Alitalia said it expects Rome to name bankers to advise on the sale in coming days.

"I don't believe there will be a buyer for the existing

Analysts and aviation executives say the government will struggle to find a buyer. Many of Europe's biggest airlines have ruled out making a bid. Non-European buyers are limited to minority stakes.

That makes liquidation, a breakup or a major restructuring real possibilities. The government has indicated it is willing to put an additional €600 million (\$670 million) into the airline to keep it flying through the busy summer travel season, as it seeks a buyer.

It has ruled out nationalizing the carrier, but Alitalia's 12,500 jobs may make a full-fledged wind-down too high a political price to pay.

"I don't believe there will be a buyer for the existing

company," said Sven Reinke, senior vice president at Moody's Investors Service. A debt-free liquidation process could draw interest from some airlines eager to take over specific rights, he said, but that may be the extent of the interest.

The company may still have one attractive asset: its name.

Synonymous with the glamorous jet set of the 1960s, Alitalia flew movie stars like Rock Hudson and Ingrid Bergman when they came to film in Rome.

At its peak, it was Europe's No. 3 carrier by passengers flown. Its green-and-red livery has been the backdrop to palatial arrivals around the world.

—Manuela Mesco contributed to this article.

Losing Altitude

Alitalia has steadily lost share in its home market Italy.



*British Airways, Lufthansa and Air France
†Ryanair, easyJet and Vueling

Source: Euromonitor

THE WALL STREET JOURNAL.

Canada Puts Boeing Deals Under Review

BY DOUG CAMERON

The Canadian government said Thursday it was reviewing potential defense deals with **Boeing** Co. in the wake of U.S. trade officials launching a probe into alleged subsidies and unfair discounts of passenger jets made by **Bombardier** Inc.

The Commerce Department said it could introduce tariffs as soon as this year on the Bombardier CS100 jets, drawing a rebuke from Canada's foreign minister after a move that inflamed already simmering trade tensions between the two nations that could affect a multibillion-dollar sale of Boeing combat jets.

The Commerce Department investigation followed a complaint in April from Boeing al-

leging Bombardier was "dumping" its new CSeries jet with customers, including **Delta Air Lines** Inc. in an effort to win market share, harming the U.S. company and domestic workers.

Canadian Foreign Minister Chrystia Freeland said the government "strongly disagrees" with the department's decision and added it is now reviewing current military procurement that relates to Boeing.

"Boeing admits it does not compete with exports of the CS100 aircraft, so it is all the more difficult to see these allegations as legitimate," she said.

Boeing didn't comment on the status of the sales talks with Canada but said it values the country as a "customer and supplier-partner."



Boeing says Bombardier is 'dumping' its CSeries jets.

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TECHNOLOGY

WSJ.com/Tech

Facebook Is Esports Cheerleader

In deal with ESL, social-media company expects to broadcast matches and more

BY SARAH E. NEEDLEMAN
AND DEEPA SEETHARAMAN

Facebook Inc. is paying professional videogame teams and others in the esports industry to post videos on the social network, part of a shift in strategy to deliver more-premium programming to the company's nearly two billion monthly users.

Earlier this year, Facebook signed contracts with five teams to publish live and on-demand video of players practicing or competing at esports. In addition, Facebook signed a deal Thursday with ESL, a global organizer of esports contests, to broadcast matches, player interviews and more.

Separately, Major League Baseball Commissioner Rob Manfred on Thursday announced the league's agreement with Facebook to air one game a week on the platform, without regional blackouts. The deal starts Friday, with a matchup between the Colorado Rockies and Cincinnati Reds.

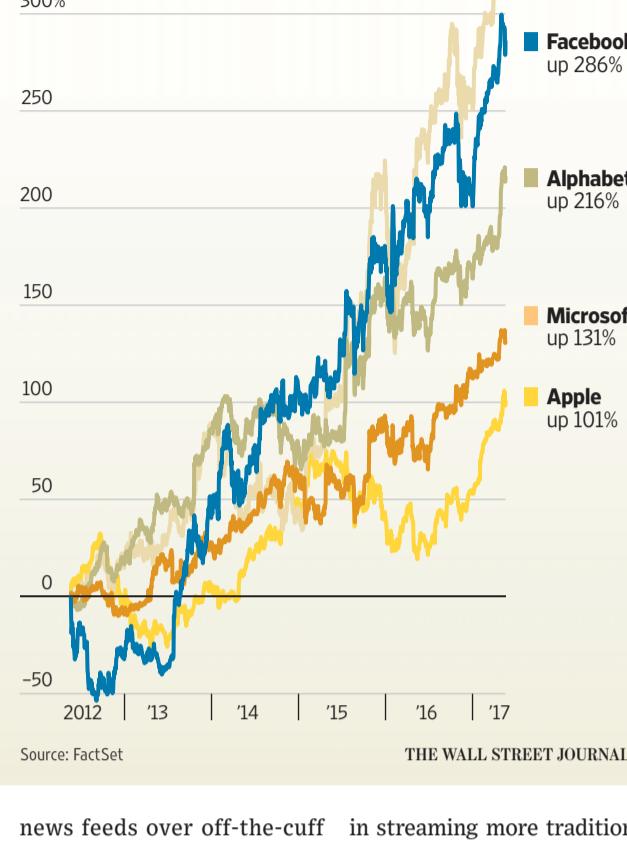
The latest moves reflect Facebook's new interest in bringing TV-like programming from sports, gaming and other genres to its platform. This shift comes as many publishers are seeing lackluster viewership for their live videos on the platform. Facebook also is

After a Rocky Start, Investors Give a Thumbs Up

Facebook's stock growth has defied any law of large numbers. The social-media company went public in May 2012, with about 900 million monthly users and just over \$1 billion in quarterly revenue. Since then, Facebook's user base has more than doubled while quarterly revenue shot up more than seven-fold. Much of its current success stems from CEO Mark Zuckerberg's focus on mobile—and mobile ads. Mr. Zuckerberg told his team to prioritize mobile-first products starting in 2012, though the company made almost no money from mobile advertising. It worked: Mobile accounted for 85% of Facebook's advertising revenue in the most recent quarter. Now, Mr. Zuckerberg has his sights set on the next engine of growth: video.

—Deepa Seetharaman

Share performance since Facebook started trading on May 18, 2012



Source: FactSet THE WALL STREET JOURNAL.

grappling with how to censor violent moments and other dark content streamed live to the site.

People scrolling through Facebook's news feed are more likely to watch polished videos with audio turned on, making them potentially lucrative vehicles for ads, analysts say. Such content increasingly will appear in

news feeds over off-the-cuff live videos from users.

In retooling its video strategy, Facebook revised some of its live-streaming contracts with publishers to emphasize on-demand video, according to people familiar with the matter. Recode earlier reported on Facebook revising its video contracts.

Facebook also is interested

in streaming more traditional sports events. In March, it struck a deal to stream certain Major League Soccer games.

Thursday's agreement with the MLB to stream 20 games this season is the latest example of those efforts. "It's really important for us in terms of experimenting with a new partner in this area," Mr. Manfred said.

Esports marries Facebook's

Alibaba Rides Wave of Online Shopping in China

BY LIZA LIN
AND AUSTEN HUFFORD

For a look at the strength of China's consumer economy, look no further than the latest quarterly results from e-commerce company **Alibaba Group Holding Ltd.**

The company said Thursday that its fiscal fourth-quarter revenue jumped 60% from a year earlier to 38.6 billion yuan, or \$5.6 billion. Revenue from its core commerce unit rose 47% to \$4.59 billion.

Its net income for the period, which ended March 31,

was 10.65 billion yuan, nearly double the year-earlier tally.

Driving the revenue growth are rising wages that allow Chinese consumers to spend more on discretionary goods, Alibaba Vice Chairman Joe Tsai told analysts in a call.

"The potential leveraging

up of the Chinese consumer, especially among the younger Chinese population, will provide a powerful driver of consumption many years into the future," Mr. Tsai said.

China's National Bureau of Statistics said online retail sales of physical goods rose

26% in China in the first four months of the year.

Analysts from J.P. Morgan said in a report that rising online purchases reflect the trend of Chinese consumers upgrading their household goods and appliances as their discretionary spending power increases.

Salesforce Eases Revenue Worries

BY JAY GREENE

Salesforce.com Inc. posted a 26% jump in deferred revenue for its fiscal first quarter, easing concerns after the company provided a lukewarm forecast for billings three months ago.

Results were so much better than it had expected, Salesforce lifted its outlook for revenue for the year by \$100 million from what it had anticipated just three months ago.

The San Francisco-based business-software company now expects annual revenue of \$10.25 billion to \$10.30 billion, up 22% to 23% from the prior year. Salesforce also bumped up its expectation for per-share profit for the year by a penny to between 6 cents and 8 cents.

Salesforce attributed the higher forecast to its ability to grow more quickly than it expected three months ago. It is doing so even in the face of competition from **Microsoft Corp.**, **Oracle Corp.** and **ServiceNow Inc.**

Since Salesforce relies on subscriptions of its web-based, on-demand software used by business customers, deferred revenue is a strong indicator of the company's prospects. Deferred revenue, which consists primarily of billings received in advance for subscription services, totaled \$5.04 billion in the quarter.

Salesforce posted a loss of \$9.2 million, or a penny a share, for the quarter ended April 30, compared with a profit of \$38.8 million, or 6 cents a share, a year earlier.

Excluding the impact of items such as amortization and stock-based compensation, adjusted earnings rose to 28 cents a share from 24 cents a year earlier. Revenue gained 25% to \$2.39 billion.

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—WATCHTIME®, Sept. 2015

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CHINA CIRCUIT | By Li Yuan

Apple Craves a Bigger Bite

Different Slices

As iPhone sales lose steam in China, Apple's revenue from apps is soaring.

iPhone market share in China



Sources: IDC (market share); App Annie (revenue)

THE WALL STREET JOURNAL.

tention from regulators.

Apple declined to comment.

Some social-networking apps likened Apple's tactics over the tipping function to arm-twisting.

Chief executives at two companies say that Apple told them if they refused to make the change,

updated versions of their apps wouldn't be made available and they could be kicked out of the App Store.

"We don't charge anything as the platform, but Apple gets 30% for doing nothing," one of the executives fumed.

The Chinese app developers believe that tipping is different from buying a song or making other virtual purchases: Tipping is voluntary and happens after users consume the content, so it isn't a sale but a way to show appreciation.

"The biggest value of tipping is 'fun' not 'money,'" writes freelance search programmer Huo Ju on his widely read tech blog.

Apple has also had run-ins over revenue in the U.S. involving apps from Amazon.com Inc. and The Wall Street Journal among others.

In most cases, the iPhone's huge number of users raised Apple's bargaining power.

In China, Apple needs to avoid the traps that befell other foreign companies slow to adapt to the unique fea-

tures of Chinese internet culture, including the government's heavy hand.

One executive says his company is talking to the Ministry of Industry and Information Technology, a regulator, about whether Apple is imposing unfair rules by turning tipping into in-app purchases. MIIT says it isn't involved. The People's Bank of China, which regulates electronic payments, didn't respond to a request for comment.

The tipping tiff involves **Tencent Holdings Ltd.**, China's biggest company by market capitalization and the innovative developer of WeChat. The messaging app allows people to chat, pay bills, book hotels, browse media and more.

In a fight between the two, Apple is likely to come out worse off. While many Chinese say they would hate to lose their iPhones, they simply can't live without WeChat.

In his post about the tipping issue, Mr. Huo, the tech blogger, chronicled how he went from being an Apple

stalwart a decade ago to finding smartphones and laptops he likes better. He headlined the post: "It's true that I basically don't use Apple products any longer."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

TECHNOLOGY

FCC to Chip Away At Net Neutrality

By JOHN D. MCKINNON

WASHINGTON—The Federal Communications Commission on Thursday approved a plan to begin rolling back Obama-era net-neutrality rules, reopening a battle over internet regulation that has raged for much of the last decade and siding with cable and wireless internet providers that say the current rules go too far.

Republicans pushed through the measure by 2-1, overriding opposition from the panel's lone Democrat.

The commission, led by Chairman Ajit Pai, will spend the coming months drafting new rules likely to fundamentally reshape the internet, giving greater latitude to broadband providers—mainly cable and wireless firms. The new rules also could put pressure on Congress to come together on compromise legislation.

Much of Thursday's debate was centered on whether the Obama-era rules, adopted in 2015, have harmed investment in broadband infrastructure. Mr. Pai argues that they have, and that the specter of continued heavy-handed regulation could chill investment in a service increasingly critical to American life and society.

His argument is also important for the legal underpinning of his new rules.

The FCC will draft new rules likely to fundamentally reshape the internet.

The Obama-era rules were built on the premise that the internet operates best when it is "open" and when companies that provide internet service cannot cut deals that allow fast lanes for content based on their business interests.

Mr. Pai on Thursday cited a recent study finding that among large internet providers, domestic capital investment dropped 5.6% between 2014 and 2016. He suggested that is because of the approach of the Obama-era rules, adding his rewrite would help reverse the regulatory trend.

"Today we propose to...return to the Clinton-era light-touch framework that has been proven to be so successful," Mr. Pai said in his statement at Thursday's meeting. "The evidence so far strongly suggests



FCC Chairman Ajit Pai

that this is the right way to go."

But there are conflicting data on the investment question, depending on who is authoring and sponsoring the studies.

Internet firms, activists and many Democrats said Mr. Pai is going too far in the deregulatory direction.

They said his proposed weakening of government oversight could endanger the open internet, giving internet providers too much power to reshape the online ecosystem and harming consumers in the process.

"Today's notice...would deeply damage the ability of the FCC to be a champion of consumers in competition in the 21st century," said Mignon Clyburn, the panel's lone Democrat, in a dissenting statement.

She and others opposing Mr. Pai's move disputed his contention that broadband investment has fallen.

Ms. Clyburn cited a separate analysis by the Internet Association, a trade group representing big online businesses such as Facebook Inc. and Alphabet Inc. unit Google, suggesting that total capital investment by publicly traded internet providers was up about 5% since the 2015 rules.

In a statement, Verizon Communications Inc. said the 2015 rules were "a serious mistake that threatens innovation and investment in this important segment of the U.S. economy." The company praised Mr. Pai's move while reiterating that it "supports net neutrality."

The internet companies pushed back. In a statement, the Internet Association said, "The 2015 rules are working, and the internet industry remains opposed to any changes to FCC regulations governing net neutrality."

"Today we propose to...return to the Clinton-era light-touch framework that has been proven to be so successful," Mr. Pai said in his statement at Thursday's meeting. "The evidence so far strongly suggests

PUNE METROPOLITAN REGION DEVELOPMENT AUTHORITY, PUNE Corrigendum No. 3 to E-Tender Notice No. 17 for FY 2016-17

The PMRDA has published tender notice for Request for Qualification (RFQ) for short listing of Bidders for Hinjawadi - Shivajinagar Pune Metro Rail Project with tender ID - 2017_PMRDA_196091_1 on mahatenders.gov.in dated 02/03/2017.

Now the date of submission of RFQ is extended up to 25/05/2017 up to 17.30 Hrs. All other details are available on www.mahatenders.gov.in

Metropolitan Commissioner & CEO
PMRDA

INTERNATIONAL NOTICES

INTERNATIONAL NOTICES

THE HIGH COURT COMMERCIAL

IN THE MATTER OF INNOCOLL HOLDINGS PUBLIC LIMITED COMPANY

AND IN THE MATTER OF SECTIONS 450(3) AND 450(5) OF THE COMPANIES ACT 2014

AND IN THE MATTER OF THE COMPANIES ACT 2014

NOTICE is hereby given that by an Order dated 10 May 2017 made in the above proceedings, the High Court has directed the summoning of a meeting of the holders of Innocoll Shares (as defined in a proposed Scheme of Arrangement between Innocoll Holdings Public Limited Company ("the Company") and the Scheme Shareholders ("the Scheme") for the purpose of their considering, and voting on, a resolution proposing that the Scheme in its original form or with or subject to any modification(s), addition(s) or condition(s) approved or imposed by the High Court be agreed to (the "Scheme Meeting").

The High Court has directed that in relation to the notification and holding of the Scheme Meeting the Scheme Meeting be summoned for 28 June 2017 at 2:00 p.m. (Irish time) at 6th Floor, 2 Grand Canal Square, Dublin 2, Ireland.

The entitlement to attend and vote at the Scheme Meeting at any adjournment thereof shall be determined by reference to the register of members of the Company as at 11:59 p.m. (New York Time) on 1 May 2017.

In addition to the approval to be sought at the Scheme Meeting, the Scheme will require the passing of resolutions at a separate Extraordinary General Meeting of the Company (the "EGM") convened at the same location on 28 June 2017 at 2:10 p.m. (Irish time) (or, if later, as soon thereafter as the Scheme Meeting shall have been concluded).

The High Court has directed that, subject to the approval of the resolution proposed at the Scheme Meeting and the resolutions to be proposed at the EGM, the Company may apply to the High Court on 30 June 2017 for directions in respect of the hearing of the application to sanction the Scheme and related capital reduction, which will be returnable for hearing on 21 July 2017.

WILLIAM FRY
Solicitors for the Company
2 Grand Canal Square
Dublin 2
Ireland

19 May 2017

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This announcement is neither an offer to purchase nor a solicitation of an offer to sell PennTex common units (as defined below) and the provisions herein are subject in their entirety to the provisions of the Offer (as defined below). The Offer is made solely pursuant to the Offer to Purchase dated May 18, 2017 and the related Letter of Transmittal and any amendments or supplements thereto, and is being made to all holders of PennTex common units. The Offer is not being made to, nor will tenders be accepted from or on behalf of, holders of PennTex common units in any jurisdiction in which the making of the Offer or acceptance thereof would not be in compliance with the laws of such jurisdiction. In those jurisdictions where the applicable laws require that the Offer be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of ETP (as defined below) by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by ETP.

Notice of Offer to Purchase for Cash All Outstanding Common Units Representing Limited Partner Interests in PennTex Midstream Partners, LP by Energy Transfer Partners, L.P. at \$20.00 per Common Unit

Pursuant to the Offer to Purchase Dated May 18, 2017

Energy Transfer Partners, L.P. ("ETP") is offering to purchase all of the outstanding common units representing limited partner interests (the "PennTex common units"), of PennTex Midstream Partners, LP, a Delaware limited partnership ("PennTex"), at a price of \$20.00 per PennTex common unit, net to the seller in cash, without interest, less any applicable withholding taxes (the "Offer Price"), upon the terms and subject to the conditions set forth in the Offer to Purchase dated May 18, 2017 (as it may be amended or supplemented from time to time, the "Offer to Purchase") and in the related letter of transmittal (as amended or supplemented from time to time, the "Letter of Transmittal" and which, together with the Offer to Purchase and other related materials, constitutes the "Offer"). Tendering holders of PennTex common units whose PennTex common units are registered in their names and who tender directly to American Stock Transfer & Trust Company, LLC (the "Depository") will not be charged brokerage fees or similar expenses on the sale of PennTex common units for cash pursuant to the Offer. Tendering holders whose PennTex common units are registered in the name of their broker, dealer, commercial bank, trust company or other nominee should consult such nominee to determine if any fees may apply. Following the consummation of the Offer, ETP intends to exercise its limited call right as described below.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE AT 5:00 PM, NEW YORK CITY TIME, ON JUNE 19, 2017, UNLESS THE OFFER IS EXTENDED OR EARLIER TERMINATED.

Following the purchase by ETP of PennTex common units in the Offer that would provide ETP and its affiliates with greater than 80% of the outstanding PennTex common units, ETP will exercise or cause the general partner of PennTex (the "PennTex General Partner") to exercise the limited call right provided for in the First Amended and Restated Agreement of Limited Partnership of PennTex (the "PennTex Partnership Agreement"), which, subject to the successful consummation of the Offer and the tender of greater than 80% of the outstanding PennTex common units, will result in the acquisition by the PennTex General Partner or its affiliates of all outstanding PennTex common units. As a result of the exercise of the limited call right, PennTex will cease to be a publicly traded company and will become a wholly owned subsidiary of ETP. Under no circumstances will interest be paid on the purchase price for the PennTex common units, regardless of any extension of the Offer or delay in making payment for the PennTex common units. The limited call right is more fully described in the Offer to Purchase under "The Tender Offer—Conditions to the Offer."

The board of directors of the PennTex General Partner (the "PennTex Board") is required to file a Tender Offer Solicitation/Recommendation Statement on Schedule 14D-9 (the "Schedule 14D-9") with the United States Securities and Exchange Commission (the "SEC") and disseminate the Schedule 14D-9 to holders of PennTex common units, in connection with the Offer to Purchase. On the Schedule 14D-9, PennTex will be required to make a recommendation or state that it is neutral or is unable to take a position with respect to the Offer. You should review the Schedule 14D-9 carefully upon its receipt. In evaluating this Offer, you should be aware that ETP appoints the entire board of directors of the PennTex General Partner, and four of seven members of the board of directors of the PennTex General Partner are directors and/or executive officers of the general partner of ETP or its parent, Energy Transfer Equity, L.P.

The Offer is conditioned upon, among other things, there being validly tendered in accordance with the terms of the Offer and not withdrawn prior to 5:00 p.m., New York City time, on June 19, 2017 (the "expiration date," unless ETP shall have extended the period during which the Offer is open, in which event "expiration date" shall mean the latest time and date at which the Offer, as so extended by ETP, shall expire) sufficient PennTex common units such that, following the closing of the Offer and acceptance for purchase by ETP of common units validly tendered and not properly withdrawn, ETP and its affiliates own greater than 80% of the outstanding PennTex common units, unless such condition is waived as described in the Offer to Purchase. As of the date of the Offer to Purchase, ETP and its affiliates own 6,745,318 PennTex common units. The foregoing condition is referred to as the "minimum tender condition." If the minimum tender condition is waived by ETP, then it shall remain a non-waivable condition that a majority of the PennTex common units held by unitholders that are not affiliates of ETP are validly tendered and not properly withdrawn (referred to herein as the "majority-of-the-minority tender condition"). The Offer is also subject to other conditions described in "The Tender Offer—Conditions to the Offer" in the Offer to Purchase. There is no financing condition to the Offer. ETP reserves the right to waive any of the conditions to the Offer, other than the majority-of-the-minority condition if the minimum tender offer condition has previously been waived.

Upon the terms and subject to the conditions set forth in the Offer, ETP will accept for payment all PennTex common units that were validly tendered and not withdrawn at or prior to the expiration date.

Any extension, termination or amendment of the Offer will be followed as promptly as practicable by a public announcement thereof, but no later than 9:00 a.m., New York City time, on the next business day after the day of the previously scheduled expiration date.

In order to take advantage of the Offer, you must either (i) 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 (or a manually signed facsimile copy) and any other required documents to American Stock Transfer & Trust Company, LLC, the depository for the Offer (the "Depository"), and either deliver the certificates for your PennTex common units along with the Letter of Transmittal to the Depository or tender your PennTex common units pursuant to the procedures for book-entry transfer set forth in Section II.3 of the Offer to Purchase or (ii) request your broker, dealer, commercial bank, trust company or other nominee to effect the transaction for you. If your PennTex common units are registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact such broker, dealer, commercial bank, trust company or other nominee to tender your PennTex common units. If you desire to tender your PennTex common units, and certificates evidencing your PennTex common units are not immediately available or you cannot deliver such certificates and all other required documents to the Depository or you cannot comply with the procedures for book-entry transfer described in Section II.3 of the Offer to Purchase, in each case prior to the expiration date, you may tender your PennTex common units by following the procedures for guaranteed delivery set forth in Section II.3 of the Offer to Purchase.

For the purposes of the Offer, ETP will be deemed to have accepted for payment tendered PennTex common units when, as and if ETP gives oral or written notice of ETP's acceptance to the Depository. ETP will pay for PennTex common units accepted for payment pursuant to the Offer by deposit of the purchase price therewith for the Depository, which will act as agent for tendering unitholders for the purpose of receiving payments from ETP and transmitting such payments to tendering unitholders. If ETP extends the Offer, is delayed in its acceptance for payment of PennTex common units or is unable to accept PennTex common units for payment pursuant to the Offer for any reason, then, without prejudice to ETP's rights under the Offer, the Depository may retain tendered PennTex common units on ETP's behalf, and such PennTex common units may not be withdrawn except to the extent that tendering unitholders are entitled to withdrawal rights as described in the Offer to Purchase and as otherwise required by Rule 14e-1(c) under the Exchange Act. Under no circumstances will ETP pay interest on the consideration paid for PennTex common units pursuant to the Offer, regardless of any extension of the Offer or any delay in making such payment.

No alternative, conditional or contingent tenders will be accepted. In all cases, payment for PennTex common units accepted for payment pursuant to the Offer will only be made after timely receipt by the Depository of (i) certificates evidencing such PennTex common units or confirmation of a book-entry transfer of such PennTex common units into the Depository's account at The Depository Trust Company pursuant to the procedures set forth in the Offer to Purchase, (ii) the Letter of Transmittal, properly completed and duly executed, with any required signature guarantees or, in the case of book-entry transfer of PennTex common units held by record by a clearing corporation as nominee, an Agent's Message (as described in the Offer to Purchase) in lieu of the Letter of Transmittal and (iii) any other documents required by the Letter of Transmittal. Accordingly, tendering unitholders may be paid at different times depending upon when certificates or book-entry confirmations with respect to PennTex common units are actually received by the Depository. If you wish to tender PennTex common units pursuant to the Offer and cannot deliver such PennTex common units and all other required documents to the Depository or cannot comply with the procedures for book-entry transfer described in Section II.3 of the Offer to Purchase, in each case prior to the expiration date, you may nevertheless tender such PennTex common units by following the procedures for guaranteed delivery set forth in Section II.3 of the Offer to Purchase. However, PennTex common units tendered by the Notice of Guaranteed Delivery will be excluded from the determination of whether the majority-of-the-minority tender condition has been satisfied, unless such PennTex common units and other required documents are received by the Depository by the expiration date.

Except as described in the Offer to Purchase, tenders of PennTex common units made in the Offer are irrevocable. You may withdraw some or all of the PennTex common units that you have previously tendered in the Offer at any time before the expiration date and, if such PennTex common units have not yet been accepted for payment as provided in the Offer to Purchase, any time after July 18, 2017 (unless the expiration date has been extended, in which case this date for ETP's acceptance will also be extended).

For your withdrawal to be effective, a written or facsimile transmission notice of withdrawal with respect to the PennTex common units 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 PennTex common units to be withdrawn, the number of PennTex common units to be withdrawn and the name of the registered holder of PennTex common units, if different from that of the person who tendered such PennTex common units. If the PennTex common units to be withdrawn have been delivered to the Depository, a signed notice of withdrawal with (except in the case of PennTex common units tendered by an Eligible Institution) signatures guaranteed by an Eligible Institution must be submitted before the release of such PennTex common units. In addition, such notice must specify, in the case of PennTex common units tendered by delivery of certificates, the serial numbers shown on the specific certificates evidencing the PennTex common units to be withdrawn or, in the case of PennTex common units tendered by book-entry transfer, the name and number of the account at the Book-Entry Transfer Facility (as defined in the Offer to Purchase) to be credited with the withdrawn PennTex common units. Withdrawals may not be rescinded, and PennTex common units withdrawn will thereafter be deemed not validly tendered. However, withdrawn PennTex common units may be retendered at any time before the expiration date by again following any of the procedures described in the Offer to Purchase.

Subject to applicable law as applied by a court of competent jurisdiction, ETP will determine, in its sole discretion, all questions as to the form of documents and the validity, eligibility (including time of receipt) and acceptance for payment of any tender of PennTex common units, and its determination will be final and binding.

The sale of PennTex common units for cash pursuant to the Offer will be a taxable transaction for U.S. federal income tax purposes. For a more detailed description of certain U.S. federal income tax consequences of the Offer, consult Section II.5 of the Offer to Purchase. All unitholders should consult with their own tax advisors as to the particular tax consequences of tendering their PennTex common units pursuant to the Offer.

The information required to be disclosed by paragraph (d)(1) of Rule 14d-6 promulgated under the Exchange Act is contained in the Offer to Purchase and is incorporated herein by reference.

PennTex has provided to ETP its list of unitholders and security position listings for the purpose of disseminating the Offer to holders of PennTex common units. The Offer to Purchase, the related Letter of Transmittal and other related materials will be mailed to record holders of PennTex common units who appear on PennTex's list and will be furnished to brokers, dealers, commercial banks, trust companies and other nominees whose names appear on PennTex's unitholder list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmittal to beneficial owners of PennTex common units.

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.

Questions and requests for assistance may be directed to the Information Agent at its address and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the related Letter of Transmittal, the Notice of Guaranteed Delivery and other materials related to the Offer may be directed to the Information Agent. Such copies will be furnished promptly at ETP's expense. Unitholders may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer. ETP will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or the Depository) for soliciting tenders of PennTex common units pursuant to the Offer.

The Information Agent for the Offer is:

**MACKENZIE
PARTNERS, INC.**

105 Madison Avenue

New York, New York 10016

(212) 929-5500 (call collect)

or

CALL TOLL FREE (800) 322-2885

Email: tenderoffer@mackenziepartners.com

May 19, 2017

BUSINESS NEWS

Car Makers Agree to Air-Bag Settlement

By MIKE SPECTOR

Several auto makers agreed to pay more than \$550 million to resolve claims stemming from rupture-prone Takata Corp. air bags, the latest settlement in a long-running safety crisis linked to deaths and injuries.

Toyota Motor Corp., Subaru Corp., Mazda Motor Corp. and BMW AG reached a collective \$553 million settlement with current and former owners and lessees of 15.8 million vehicles to address repairs and financial losses associated with the air bags, which risk exploding and spraying shrapnel, according to court documents filed Thursday in a Miami federal court.

The air bags have been linked to 11 deaths and some 180 injuries in the U.S. alone. Thursday's settlement doesn't cover personal-injury cases that are also part of the sprawling litigation against Takata and auto makers that is consolidated in the Florida court.

Auto makers are in the process of recalling an unprecedented 42 million vehicles with nearly 70 million Takata air bags in the U.S., a crisis that has dented the supplier's finances and forced it to seek an investment from a rival and weigh a bankruptcy filing.

Other auto makers including Honda Motor Co., Ford Motor Co. and Nissan Motor Co. aren't part of the settlement, and still face lawsuits seeking recompense for financial losses, plaintiffs' lawyers said. Honda remains focused on tending to customers while continuing to participate in legal processes in Florida, a spokesman said. Nissan reminded customers to seek repairs but declined to comment on the settlement. A Ford spokeswoman had no immediate comment and Takata declined to comment.

Wal-Mart's Sales Keep Climbing

As rivals struggle, retailer has benefited from its investment in stores, e-commerce

BY SARAH NASSAUER AND ANNE STEELE



The retailer's foot traffic in the U.S. rose 1.5% in the recent period.

with a rising crop of discount grocers including Lidl and Aldi.

The average amount each U.S. shopper spent per trip edged down 0.1% "primarily due to lower sales of higher-ticket items at the beginning of the quarter, as well as continued price investment," said Wal-Mart finance chief Brett Biggs in a conference call.

Overall, U.S. sales in the first part of the quarter suffered

from a delay in federal tax-refund checks, executives said.

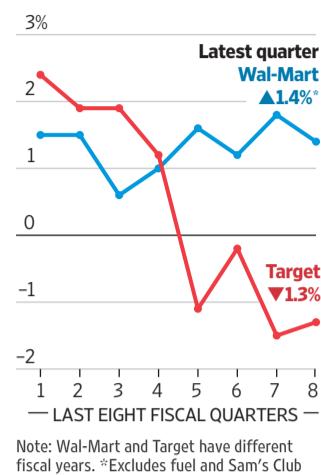
Shares in the company rose

3.2% to \$77.54 on Thursday.

The retailer's stable sales are a marked contrast to many department-store chains and other competitors. **Target Corp.** on Wednesday said its sales at stores open at least a year fell 1.3% in the first quarter. And U.S. retailers are closing stores at a record pace this year in the face of online com-

Divergent Paths

Comparable-store sales, change from a year earlier



Note: Wal-Mart and Target have different fiscal years. *Excludes fuel and Sam's Club

Source: the companies

THE WALL STREET JOURNAL.

petition and overbuilding. Others, including Rue21, Hhgregg Inc. and Limited Stores Co., have filed for bankruptcy protection.

Wal-Mart has leaned heavily

into its online efforts and improved stores to compete. Over the past two years it raised store-employee wages and shrunk inventory to smooth store operations. Same-store inventory levels fell 7.3% in the latest quarter.

U.S. e-commerce sales surged 63%, including sales from Jet.com Inc. and other recent e-commerce acquisitions. Most of the sales increase came from Walmart.com, a spokesman said.

Wal-Mart bought Jet.com in September for \$3.3 billion and has since bought up smaller e-commerce sites such as ModCloth, Moosejaw and ShoeBuy. Chief Executive Doug McMillon said the purchases help add to Wal-Mart's assortment of online products, but the company won't "buy our way to success."

Though grocery sales rose, shoppers bought fewer general merchandise items in the beginning of the quarter like apparel and bikes, the company said.

In all for the quarter, Wal-Mart earned \$3.04 billion, or \$1 a share, compared with \$3.08 billion, or 98 cents a share, a year earlier, marking the first quarterly earnings-per-share increase in more than two years. Revenue grew by 1.4% to \$117.54 billion.

"The first quarter was a solid quarter for Wal-Mart on multiple fronts as margins held steady despite the myriad ongoing investments in people, technology and price," said Moody's analyst Charlie O'Shea.

age formed in Houston in the mid-1980s to trade natural gas and electricity. Over the years, it acquired and developed dozens of power plants in the U.S. and elsewhere, tracing the rise of independent power producers in an era of deregulation.

In 2001, Dynegy nearly played the white knight for Enron, with a roughly \$9 billion takeover bid as the energy-trading giant's accounting scandal was unfolding. Dynegy called off the planned merger, citing "misrepresentations" on Enron's part, the same day credit-rating firms downgraded the scandal-ridden company to "junk" status. A month later, Enron filed for chapter 11 bankruptcy protection.

DYNEGY

Continued from page B1

Dynegy's power stations would broaden Vistra's footprint to the Midwest, Northeast and other parts of the country.

Vistra also has a colorful past. Investors including private-equity firms KKR & Co. and TPG took a predecessor, TXU Corp., private for \$32 billion at the height of the leveraged-buyout boom that preceded the financial crisis. The deal was the largest LBO in history.

TXU, now called **Energy Future Holdings Corp.**, filed for chapter 11 protection in 2014 with \$42 billion in debt after a

decline in power prices upended its business. The operations that now form Vistra were spun out of Energy Future in October, a key milestone in one of the largest corporate bankruptcies in history. Energy Future's utility arm, **Oncor**, remains in bankruptcy.

Vistra's restructuring eliminated more than \$33 billion in debt, giving it greater flexibility to make acquisitions. The company had more than \$4.5 billion in debt in March and a market value of more than \$6 billion as of the close of trading Thursday.

Some of Vistra's owners see a tie-up as a way to increase investor awareness and trading volume in the stock, which

could make it easier for them to sell equity they received in the restructuring, according to people familiar with the matter. The company's largest shareholders include former Energy Future lenders **Brookfield Asset Management Inc.**, **Oaktree Capital Group LLC** and **Apollo Global Management LLC**.

As is often the case for companies fresh out of bankruptcy, Vistra's shares trade less than those of its peers. Some 870,000 shares changed hands, on average, the past 30 days, about a quarter of Dynegy's trading volume, according to FactSet.

But buying Dynegy would mean absorbing its hefty debt

load of about \$9 billion, which has become a burden as the company has lost money in recent quarters amid low wholesale power prices. Following a 60% decline in its shares in the past year, Dynegy had a market value of just over \$900 million at Thursday's close.

The slump in electricity prices is helping fuel deal talks among power producers. **Calpine Corp.**, another big wholesale power generator that is worth more than \$16 billion including debt, is weighing a sale and has attracted interest from private-equity firms, The Wall Street Journal reported last week.

Dynegy started as Natural Gas Clearinghouse, a broker-

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Futures Contracts

Metal & Petroleum Futures

	Contract		Open		High hilo		Low		Settle		Chg interest	
Copper-High (CMX)-25,000 lbs.; \$ per lb.			Open	High	hi	lo	Low		Settle		Chg	interest
May 2,5200	2,5310	2,4880	2,5265	-0.0160	1,937							
July 2,5450	2,5450	2,4845	2,5315	-0.0150	120,451							
Gold (CMX)-100 troy oz.; \$ per troy oz.			125.80	1245.80	1251.70	-5.80	40					
May 125.80	126.00	1245.70	1252.80	-5.90	208,931							
June 1261.40	1265.00	1245.70	1256.10	-5.90	137,835							
Aug 1264.50	1268.30	1249.10	1253.00	-6.00	6,878							
Oct 1267.50	1271.00	1253.00	1259.40	-6.00	64,383							
Dec 1271.30	1275.00	1255.90	1262.80	-6.00	64,383							
Feb'18 1274.20	1276.90	1259.70	1266.10	-6.00	8,473							
Palladium (NYM)-50 troy oz.; \$ per troy oz.			1245.80	1251.70	-5.80	40						
June 783.25	783.70	755.65	765.45	-11.55	24,447							
Sept 781.30	782.40	755.10	764.45	-11.80	12,081							
Platinum (NYM)-50 troy oz.; \$ per troy oz.			930.70	930.70	930.50	934.30	-9.30	1				
May 930.70	930.70	930.50	934.30	-9.30	1							
July 946.20	949.00	930.40	936.80	-9.30	63,970							
Silver (CMX)-5,000 troy oz.; \$ per troy oz.			16,510	16,621	-0.231	121						
May 16,700	16,705	16,510	16,621	-0.236	161,435							
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.			16,430	16,670	-0.236	161,435						
June 48.93	49.60	48.05	49.35	0.28	113,829							
July 49.25	49.93	48.38	50.65	0.25	614,997							
Aug 49.58	50.19	48.66	49.91	0.21	163,915							
Sept 49.82	50.42	48.93	50.14	0.17	185,712							
Dec 50.44	50.90	49.49	50.63	0.10	313,658							
Dec'18 50.32	50.55	49.39	50.30	0.06	154,061							
NY Harbor Asphalt (NYM)-42,000 gal.; \$ per gal.			1,5061	1,5453	0.018	67,040						
June 1,5334	1,5536	1,5061	1,5453	0.018	67,040							
July 1,5385	1,5589	1,5123	1,5509	0.011	110,449							
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.			1,6041	0.0036	129,596							
June 1,5982	1,6172	1,5597	1,6063	0.0036	61,417							
July 1,6150	1,6152	1,5589	1,6041	0.0036	129,596							
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.			1,5061	1,5453	0.018	67,040						
June 3.209	3.242	3.161	3.182	-0.10	132,488							
July 3.302	3.331	3.256	3.280	-0.03	270,175							
Aug 3.336	3.363	3.295	3.320	...	126,871							
Sept 3.323	3.346	3.283	3.307	0.01	139,615							
Oct 3.341	3.369	3.310	3.334	0.004	197,606							
Jan'18 3.585	3.610	3.569	3.582	0.004	104,310							

	Contract		Open		High hilo		Low		Settle		Chg		Open interest	
Corn (CBT)-5,000 bu.; cents per bu.			364.25	366.00	-5.50	725,209								
July 371.50	371.50	364.25	366.00	-5.50	725,209									
Dec 388.75	388.75	382.00	384.00	-5.00	279,649									
Oats (CBT)-5,000 bu.; cents per bu.			231.00	236.00	.50	4,919								
July 235.50	237.25	221.00	221.50	-2.50	1,112									
Soybeans (CBT)-5,000 bu.; cents per bu.			944.75	944.75	-31.00	356,080								
July 972.50	972.50	944.75	944.75	-31.00	356,080									
Nov 965.75	965.75	942.25	944.75	-23.00	189,529									
Soybean Meal (CBT)-100 tons; \$ per ton.			127.40	127.40	-4.80	1								
May 129.20	129.20	127.70	129.20	-4.80	102,964									
July 133.20	133.20	129.30	129.65	-4.75	102,964									
Milk (CME)-200,000 lbs.; cents per lb.			15.60	15.61	15.60	15.61	-0.01	4,843						
May 16.38	16.38	16.18	16.20	-0.17	5,481									
Cocoa (ICE-US)-10 metric tons; \$ per ton.			2,088	2,084	30	130,974								
July 2,078	2,078	2,061	2,093	29	67,553									
Coffee (ICE-US)-37,500 lbs.; cents per lb.			127.40	127.40	-4.80	1								
May 129.20	129.20	127.70	129.20	-4.80	102,964									
Sugar-World (ICE-US)-112,000 lbs.; cents per lb.			16.03	16.03	-2.70	363,888								
July 16.00	16.19	15.58	16.03	-2.70	363,888									
Sugar-Domestic (ICE-US)-112,000 lbs.; cents per lb.			16.24	16.24	-2.70	189,470								
July 16.24	16.41	15.86	16.24	-2.70	189,470									
Rough Rice (CBT)-2,000 cwt.; \$ per cwt.			28.20	28.20	-1.11	1,202								
Sept 28.03	28.20	28.03	28.29	-1.11	1,779									
Cotton (ICE-US)-50,000 lbs.; cents per lb.			79.24	79.24	-.93	123,609								
July 80.30	80.63	78.84	79.24	-.93	123,609									
Orange Juice (ICE-US)-15,000 lbs.; cents per lb.														

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to 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, ISYE 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.
 i-New 52-week low.
 dd-Indicates loss in the most recent four quarters.
 FD-FIRST day of trading.
 dD-Does not meet continued listing standards.
 If-Late filing
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 wJn-Bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, May 18, 2017

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	ABB	24.67	-0.03	AverenGrid	AGR	44.00	0.06	Carnival	CUB	61.32	1.38	HomeDepot	HDP	155.70	-0.39	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38	Baidu	BIDU	182.43	-3.62
AES	AES	AES	11.18	-0.15	AverenGrid	AVV	82.50	-0.14	Caterpillar	CAT	100.22	0.08	HondaMotor	HMC	27.67	-0.18	Medtronic	MDT	92.40	-0.26	Twitter	TWTR	18.51	0.23	BankOfOzarks	OZRK	46.42	1.18
Aflac	AFL	AFL	73.72	-0.04	AxaltaCoating	ATX	30.93	-0.32	Celanese	CE	83.79	-0.09	Honeywell	HON	130.42	-0.48	EQT	EQT	55.47	-0.47	TylerTech	TYL	166.18	-0.23	RepulServices	RSN	61.67	0.42
AT&T	AT&T	AT&T	37.95	-0.11	BHPBillion	BHP	35.90	0.48	EastmanChem	EMN	77.25	-0.01	Intertel	ETN	67.06	-0.11	Eaton	ETN	73.40	-0.03	MetLife	MET	49.81	-0.15	TysonFood	TSN	57.83	-0.19
AXIS Capital	AXIS	AXIS	62.96	0.51	BHPBillion	BBL	31.15	0.38	Ecobat	ECL	126.74	0.35	HostHotels	HST	18.03	0.39	EdisonInt'l	EIX	77.96	-0.11	ExxonMobil	EMR	54.95	-0.02	ReynardsonBrands	RGR	59.13	0.14
AbbottLabs	AbbottLabs	AbbottLabs	42.48	-0.10	BHPBillion	BBL	36.51	0.34	Ecopetrol	EC	96.12	0.41	HuanengPower	HNP	29.62	-0.10	EdisonInt'l	EIX	77.96	-0.11	RelianceSteel	RS	71.35	-0.38				
AbbVie	AbbVie	AbbVie	65.63	-0.26	BHPBillion	BBL	39.75	-0.23	ElfaLab	ECL	126.74	0.35	Hubbell	HUBB	111.74	0.85	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Accenture	Accenture	Accenture	120.40	-0.04	BHPBillion	BBL	39.75	-0.23	Emerson	EMR	54.95	-0.02	HuntingtonNatl	HUN	190.34	-0.81	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AcuityBrands	AcuityBrands	AcuityBrands	161.11	-0.11	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	Huntsman	HUN	25.84	-0.29	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Adient	Adient	Adient	68.60	-0.40	BHPBillion	BBL	39.75	-0.23	EversourceEner	ES	60.24	-0.01	HyattHotels	HOT	33.25	-0.39	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AdvanceAuto	AdvanceAuto	AdvanceAuto	145.51	-0.31	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	Honeywell	HON	130.42	-0.48	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AdvSemEngg	AdvSemEngg	AdvSemEngg	6.18	-0.03	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	HormelFoods	HRL	34.15	-0.04	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Aegon	Aegon	Aegon	4.91	-0.01	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	HuanengPower	HNP	29.62	-0.10	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AerCap	AerCap	AerCap	43.45	-0.11	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	Hubbell	HUBB	111.74	0.85	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Aetna	Aetna	Aetna	140.23	-1.11	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	HuntingtonNatl	HUN	228.83	-0.38	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AffiliatedMgs	AffiliatedMgs	AffiliatedMgs	149.51	-0.57	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	InvitationHomes	INH	216.01	-0.51	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AgilTech	AgilTech	AgilTech	55.89	-0.01	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	Itron	ITR	24.75	-0.27	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AgnicoEagle	AgnicoEagle	AgnicoEagle	48.81	-0.72	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JCI	JCI	9.40	-0.10	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Agricul	Agricul	Agricul	88.62	-0.34	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AlarisProd	AlarisProd	AlarisProd	142.71	-0.14	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AlaskaAir	AlaskaAir	AlaskaAir	83.04	-0.05	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Alliancete	Alliancete	Alliancete	116.11	-0.11	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Ambev	Ambev	Ambev	5.50	-0.73	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
Amer	Amer	Amer	55.30	-0.87	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AmericaMovil	AmericaMovil	AmericaMovil	15.05	-0.04	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AmericaMovil	AmericaMovil	AmericaMovil	15.05	-0.04	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI	111.95	0.11	MeadJohnson	MJM	88.37	...	RelianceSteel	RS	71.35	-0.38
AmericaMovil	AmericaMovil	AmericaMovil	15.05	-0.04	BHPBillion	BBL	39.75	-0.23	EnviroPro	EPP	17.09	-0.03	JPMorganChase	JPM	83.99	-0.11	EdwardsElectric	EWI										

BANKING & FINANCE

SoftBank Disputes Claims of Kickbacks By Executives in India

A contentious back-and-forth between SoftBank Group Corp. and attorneys who say they represent anonymous disgruntled shareholders is riling the Japanese telecommunications titan.

The difficulties for SoftBank come as the company, founded by Masayoshi Son, is poised to begin investing \$100 billion in technology startups around the world, and they have drawn concern from a Saudi Arabian in-

By Bradley Hope,
Newley Purnell
and Alex Frangos

vestment vehicle that is set to commit \$45 billion to the SoftBank technology fund.

The allegations from the attorneys have lingered over the past year about the conduct of top SoftBank executives, especially in India. The company announced last week it had taken a loss on \$1.4 billion on investments, largely in Indian startups. In March, a complaint was submitted to an Indian financial regulator purporting to identify financial malfeasance in those deals, including that current or former SoftBank executives received kickbacks connected with the investments.

It isn't known whether Indian authorities have decided to pursue any formal investigation. SoftBank has denied all the allegations and is working to stop

Masayoshi Son's SoftBank is poised to invest \$100 billion in technology startups.

the letter-writing campaign by bringing a criminal complaint in Switzerland and stepping up an international investigation into the identity of the person or people behind the complaints.

SoftBank said this week that the allegations are false and part of a "malicious smear campaign" based on "falsehoods and innuendo."

On April 30, the head of Saudi Arabia's Public Investment Fund—which last year pledged to commit the \$45 billion to the SoftBank fund—wrote a letter to SoftBank's board asking for more information about the allegations and SoftBank's internal inquiries, according to a copy of the letter reviewed by The Wall Street Journal. PIF declined to comment. The accusations have come in a series of letters from law firms and a Swiss consultant that say they represent an undisclosed number of SoftBank shareholders. The lawyers and consultant declined to identify the shareholders.

Besides kickbacks, the accusations include conflicts of interest, in which executives allegedly had personal investments connected to SoftBank consultants; and an improper consulting arrangement involving a shell company in the British Virgin Islands.

While it is unclear who filed the complaint with the Indian

government, the other allegations against SoftBank come in letters made public and others sent over the past year to the company's board from Nicolas Giannakopoulos, a consultant based in Switzerland, and two American law firms that say they represented other SoftBank shareholders.

In December, SoftBank filed a criminal defamation complaint in Switzerland against Mr. Giannakopoulos. It has hired global investigations firm Kroll Inc. to identify any backers Mr. Giannakopoulos may have and to try to figure out who else might be behind the campaign.

On his LinkedIn profile, Mr. Giannakopoulos describes himself as a private security and investigations consultant.

In public letters, Mr. Giannakopoulos asked the firm to oust the president and chief financial officer of its international arm, Alok Sama, over alleged financial misdeeds. The company said Mr. Sama did nothing wrong.

Mr. Giannakopoulos said this week he hadn't received a copy of the defamation complaint. "As an investor in SoftBank, I expected the company to be interested in investigating the issues I raised," he said in a statement, "but the board seems more interested in trying to attack me than in protecting its shareholders."

The two New York law firms making allegations, Boies, Schiller & Flexner LLP and Mintz & Gold LLP, declined to identify the shareholders they represent. They declined to comment beyond the letters they had sent to the SoftBank board detailing their concerns.

The Journal reviewed the complaint in India. It was lodged with the Enforcement Directorate of the Indian Finance Ministry. The directorate didn't respond to requests for comment.

The complaint alleges Mr. Sama and former SoftBank President Nikesh Arora received kickbacks from companies SoftBank invested in as the firm poured money into Indian startups in recent years.

"None of the allegations contain even a shred of truth," Mr. Arora said in a statement. Mr. Sama called the allegations "corporate terrorism masquerading as shareholder activism" and said they are based on "obvious untruths."

The campaign amounts to "disgraceful corporate blackmail" or "sabotage," said Ronald Fisher, a SoftBank director. "We have no understanding of what's driving it."

SoftBank's Indian investments were made in high-profile startups, including e-commerce company Snapdeal.com, ride-hailing service Ola and real-estate search portal Housing.com.

An Ola spokesman declined to comment. A Snapdeal.com spokeswoman didn't respond to a request for comment. A Housing.com spokeswoman declined to comment. In January, Housing.com merged with online real-estate firm PropTiger.com, which is backed by News Corp., the parent company of the Journal.

Cooperman, SEC in Pact

Hedge-fund manager isn't barred from industry under insider-trading settlement

BY JULIA CHUNG
AND DAVE MICHAELS

Hedge-fund manager Leon Cooperman and U.S. securities regulators ended their legal showdown Thursday with a \$4.9 million settlement of insider-trading allegations that doesn't bar the well-known investor from the industry.

The agreement with the Securities and Exchange Commission calls for Omega to accept a compliance monitor for five years who can question any trade that Mr. Cooperman or his traders make. It also calls

for monthly certifications that insider information didn't figure into any trades.

Neither Mr. Cooperman nor his firm, **Omega Advisors** Inc., admitted to wrongdoing as part of the pact, according to a letter Mr. Cooperman sent to his investors. The SEC first accused Mr. Cooperman and Omega of insider trading in September 2016 following a five-year investigation.

Omega is one of the best known firms in the hedge fund industry, and the 74-year-old Mr. Cooperman is a prolific stock picker known for his appearances at conferences and on television.

"I am looking forward to putting this behind me now, instead of years from now," Mr. Cooperman said in his letter to his investors. Mr. Cooperman

declined additional comment when reached by phone.

The terms of the settlement fall far below what the SEC wanted. When it filed suit in September 2016 the regulator said it was seeking the return of ill-gotten gains plus interest and penalties, as well as barring Mr. Cooperman from serving as an officer or director of a public company.

The SEC previously sought to bar Mr. Cooperman from the industry for five years, Mr. Cooperman said in his letter Thursday. An SEC spokeswoman declined to comment on that potential sanction.

At the SEC the outcome was viewed as a win, because Mr. Cooperman had said he was innocent and suggested in a TV interview he would never pay any money to settle the SEC's case,

according to a person familiar with the agency's thinking.

Had the SEC won at trial and then prevailed on appeal, it still would have needed to return to its in-house administrative court to ask that Mr. Cooperman be barred from the industry. That could have taken another year and a half or more, the person said.

Stephanie Avakian, the SEC's acting enforcement division director, said in a release that the settlement "protects against future violations while requiring Cooperman and Omega Advisors to pay significant fines for their misconduct. By imposing an independent consultant to monitor their trading activity, the resolution helps protect our markets from future risk of insider trading."

Breakup of Big Banks Not in Cards

BY RYAN TRACY

WASHINGTON—The Trump administration took the idea of breaking up big banks off the table Thursday, with Treasury Secretary Steven Mnuchin telling a congressional panel that isn't what officials have in mind in reviewing the line between commercial- and investment-banking activities.

"We do not support a separation of banks from investment banks," Mr. Mnuchin said before the Senate Banking Committee. He said doing so would create problems for the "financial markets, on the economy, and liquidity."

The statement was a strong indication the Trump administration's review of U.S. banking regulations will be less onerous than Wall Street's worst fears. Officials say their priority is overhauling regulations with the aim of boosting lending and economic growth.

President Donald Trump's economic team has said it is considering a modern version of the 1933 Glass-Steagall Act—a partially repealed law that would force the largest U.S. banks to break themselves apart if it were still in effect.

The issue has created confusion and angst among bankers and analysts every time an official mentions the topic. One reason for the tension: Sen. Elizabeth Warren (D, Mass.), a member of the banking committee, has introduced a bill she also calls the "21st Century Glass-Steagall Act."

Her bill, which has yet to receive support from any other committee members, mandates that a financial company can't own a traditional bank—one that takes deposits, makes loans and processes payments—alongside other business, such as underwriting and marketing stocks and bonds.

The 1933 version of Glass-Steagall included similar prohibitions before it was partly repealed in 1999.

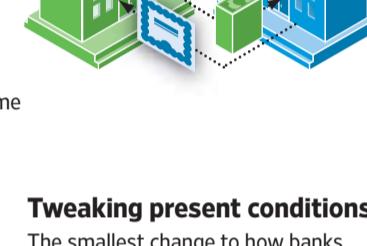
Those who support a revival of Glass-Steagall argue, among other things, that combining securities and banking activities allows financial firms to

What Does '21st Century Glass-Steagall' mean?

Several proposals could revive parts of the 1933 Glass-Steagall Act.

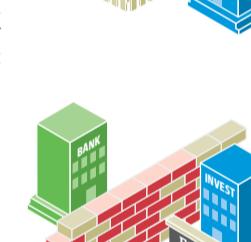
Where things stand now

Since the repeal of key Glass-Steagall provisions in 1999, Wall Street firms can own both traditional banks and businesses such as securities dealers or investment banks, with some limits on transactions between them.



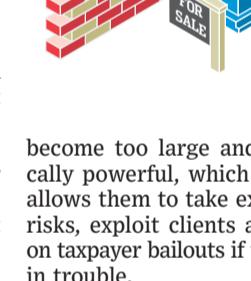
Tweaking present conditions

The smallest change to how banks operate would involve more restrictions on intracompany connections, effectively tightening the valve between the sides of the firm.



Ring-Fencing

A sharper division advocated by Federal Deposit Insurance Corp. Vice Chairman Thomas Hoenig and others would mostly separate or "ring-fence" two sides of the same firm's operations.



Returning to Glass-Steagall

The biggest change would reinstate the 1933 version of the law. This would require completely severing banking from other businesses. It is backed by Sen. Elizabeth Warren (D, Mass.).

become too large and politically powerful, which in turn allows them to take excessive risks, exploit clients and rely on taxpayer bailouts if they get in trouble.

Behemoths such as J.P. Morgan Chase & Co., Citigroup Inc., and Bank of America Corp. would have to split apart under Ms. Warren's proposal.

For other Wall Street titans, the impact might be less severe.

Goldman Sachs Group

Inc. Chief Executive Lloyd

Blankfein said on May 9 that

although he doesn't believe

reinstating Glass-Steagall makes

sense today, "our adaptation to

that would be relatively easy," because the firm's bank is "very minor" compared with its other businesses.

Ms. Warren on Thursday said it was "just bizarre" that the Trump administration could claim to support Glass-Steagall without supporting bank breakups.

More details about how the Trump administration wants to tailor rules should come in June, when the Treasury Department is scheduled to report to Mr. Trump about a broad review of financial regulations.

National Economic Council Director Gary Cohn in April

said, "If we come up with a 21st-century, modern Glass-Steagall, we may be able to tailor regulation for different aspects of the financial markets and different aspects of financial institutions."

Acting Comptroller of the Currency Keith Noreika—the only bank regulator the Trump administration has installed so far—is skeptical of returning to Glass-Steagall. In an interview last week, he said banks are safer if they rely on several different businesses for revenue.

Mr. Noreika also said Glass-Steagall would have limited the government's options during the 2008 financial crisis. J.P. Morgan couldn't have purchased the teetering Bear Stearns investment bank, Bank of America couldn't have bought struggling Merrill Lynch and Goldman Sachs and Morgan Stanley couldn't have converted to bank holding companies to stabilize themselves.

"It may sound like great politics to say we are going to bring back all the sections of Glass-Steagall," Mr. Noreika said, "but do you want another Bear Stearns?"

Analysts say the administration could use existing regulatory authority to restrict interactions at subsidiaries of large financial firms, while cutting back regulations that apply to each type of business.

"Mr. Trump can have his Glass-Steagall cake and still eat regulatory relief because the rules for banks could get a lot less binding even as [bank holding companies] are severed into component parts," Karen Shaw Petrou, managing partner of Federal Financial Analytics Inc., said in an April note to clients.

A key question, according to Ms. Petrou, is how the separate businesses will be regulated.

Under one proposal from Federal Deposit Insurance Corp. Vice Chairman Thomas Hoenig, big firms' banking and securities businesses would have to fund themselves mostly separately and with a higher share of investor equity than they do today.

European Cities Vie to Host Financial Regulator After Brexit

BY JULIA-AMBRA VERLAINE
AND PATRICIA KOWSMANN

LONDON—France is shooting down the possibility of relocating Europe's top financial regulator to Frankfurt from London after Brexit, an early sign of infighting over the spoils of Britain's departure from the European Union.

Frankfurt had emerged as the favored location among EU officials for when the European Banking Authority moves from the U.K. after Brexit. But the agency has been caught in a Franco-German power struggle over which country will benefit most from the departure of some financial-services businesses from London because the U.K. is leaving the EU.

Countries from Portugal to Denmark are fighting to host the two EU institutions now based in London. The hottest prize is the European Medicines Agency, which attracts thousands of experts a year for its meetings and employs almost 900. France is seeking the European Banking Authority as it tries to fashion Paris as the bloc's next financial

center. While the EBA is much smaller, its presence in Frankfurt would consolidate the city's status as a financial hub. Earlier this month, Germany's financial watchdog said a double-digit number of banks have indicated that they will move some of their staff to

Frankfurt following Brexit. Because of the French objections, talks among the Continent's capitals to move the banking regulator have taken a new turn, and now both Paris and Frankfurt are likely to be out of the picture because of the political controversy.

The French opposition to Frankfurt as the EBA's location emerged under President François Hollande. But European officials don't expect the

country's new president, Emmanuel Macron, to shift ground on the question, though they haven't received any indication one way or another.

This all leaves the EBA and its more than 150 staff in uncertainty as to where the

agency will move. Brussels and Vienna have been informally favored by officials as the next best options.

The fight is an example of how, as Brexit negotiations unfold, competition is likely to intensify among the 27 other EU capitals.

European nations are looking to lure businesses and authorities that have to leave the U.K.

While some acquisitions are symbolic and matters for national prestige, there are economic benefits. Hosting a regulator means more money for a city's restaurants and an increase in hotel reservations as bankers, lobbyists and officials fly in for monthly board meetings.

There have been no formal EU proposals over where the EBA and European Medicines Agency ought to be located. Talks are taking place among the 27 non-U.K. EU members and will likely be decided at a summit of European leaders after a series of behind-the-scenes discussions.

The EBA would have to be out of its Canary Wharf offices by March 30, 2019.



STEFAN VERNUTH/REUTERS

The European Banking Authority will have to leave London by March 2019, creating an opportunity for other European capitals.

MARKETS

Emerging Markets Hit the Skids

A dive in Brazil stocks renews worry that is disrupting a rally in the developing world

BY JULIE WERNAU

A plunge in Brazilian stocks reverberated across emerging markets on Thursday, providing another reminder of the high risks associated with developing countries even when their economies are on the mend.

The Brazilian Bovespa index fell 8.8% after reports that President Michel Temer was involved in an alleged bribery, claims that Mr. Temer has denied. The dollar rose 7.7% against the Brazilian real and Brazil's sovereign-bond index fell 4%.

The rout in Brazil spilled over into stocks and bonds in other developing economies. Emerging-market equities sank 2%, while credit-default-swap markets signaled an increase of the risk of defaults in Latin America. The dollar rose against several emerging-market currencies, including 2.5% against the Argentine peso. Emerging markets in Asia also fell, with the MSCI Emerging Markets Asia index down 0.8% on the day.

The iShares MSCI Brazil Capped exchange-traded fund, a popular vehicle for U.S. investors to bet on Brazilian stocks, plunged 16%. That nearly wiped out in one day all of its gains for the year.

It was a second consecutive day of gloom in emerging markets; they fell on Wednesday after reports that President Donald Trump tried to interfere in the investigation of his former national security adviser. Events in Washington may lower global investor risk tolerance as the prospects for Mr. Trump's pro-growth policies darken.

The MSCI Emerging Markets Index has surged 20% since the start of 2016 and emerging-markets bonds have rallied 15%. Currencies in Mexico, Russia and Brazil had been in rally mode so far in 2017 and emerging-market bonds and stocks have attracted \$89 billion in net inflows.

David Ruff, senior portfolio manager at asset manager Salient Partners, said the market hadn't properly priced in the risk that a rebound in Brazilian markets could be stalled. It is a danger for several emerging markets that have rallied re-



Demonstrators in São Paulo Wednesday. Bribery allegations surrounding President Michel Temer have upended Brazilian markets' rally.

cently, including Argentina, where a change in political power has yet to translate into economic growth.

Kathryn Rooney Vera, head of research and strategy at brokerage and investment bank Bulltick in Miami, said she was advising her clients Thursday that "any spillover effect is going to be temporary in nature. So if you have a favorite name in emerging markets, buy it today. Because it is on sale."

Jan Dehn, head of research at fund manager Ashmore Group in London, said Brazil's shift away from populist policies will continue and its institutions will remain in place, allowing the country eventually to move beyond its recent scandals.

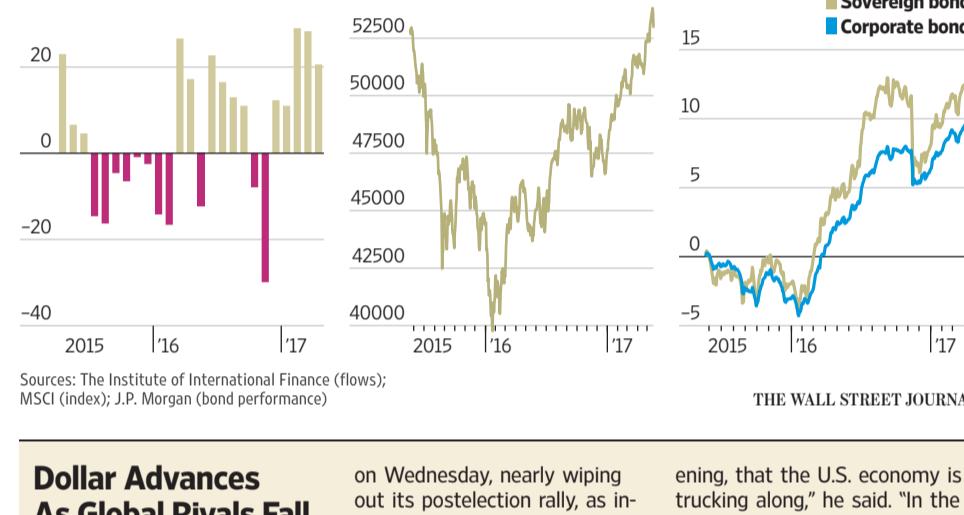
"I look at Brazil as a buying opportunity," said Mr. Dehn. "Sure, we may get a delay in reforms. And if Temer needs to go, he needs to go."

Still, governments and companies in the developing world sold \$179 billion in dollar-denominated debt in the first quarter, the most ever for a first quarter, according to Dealogic. U.S. dollar debt in emerging markets remains at a record \$3.6 trillion, according to the Bank for International Settlements. That means another sell-off in local currencies would make it tougher for developing nations to repay debt.

—Ira Iosebashvili contributed to this article.

Taking a Breath

Emerging-markets investors were reassessing their holdings after a sharp selloff in Brazil



Sources: The Institute of International Finance (flows); MSCI (index); J.P. Morgan (bond performance)

Dollar Advances As Global Rivals Fall

The U.S. dollar rebounded, while other emerging-market currencies tumbled as political uncertainty in Brazil continued to rattle investors.

The WSJ Dollar Index, which measures the U.S. currency against 16 others, rose 0.4%, to 89.24, as the dollar rose against the Japanese yen, euro and many emerging-market currencies.

The index had tumbled 0.7%

on Wednesday, nearly wiping out its postelection rally, as investors worried that political turbulence surrounding the Trump administration will compromise its tax-overhaul and fiscal-spending proposals.

Brad Bechtel, a currency strategist at Jefferies Group, said the political unease "derails from the economic policies the administration was trying to put into place."

Still, he thinks the dollar could rise in the months ahead as the Federal Reserve moves to raise rates. "You can't ignore the fact that the Fed is tight-

ening, that the U.S. economy is trucking along," he said. "In the end, the dollar will continue to rise."

Meanwhile, the Brazilian real plunged against the dollar as new political turmoil rocked the country. The Brazilian currency had rallied about 4% this year before Thursday's selloff as investors poured into higher-yielding emerging-market currencies. The dollar jumped 0.9% against the Russian ruble, 1.7% against the South African rand and 1.5% against the Turkish lira.

—Chelsey Dulaney

AHEAD OF THE TAPE | By Steven Russolillo

A Columnist's Farewell And Picks Gone Wrong

This is the last installment of The Wall Street Journal's Ahead of the Tape column. For forward-looking business analysis each day, please read Heard on the Street in print and online.

In November 2015, this column took a bearish view on a cloud company called Rackspace Hosting Inc. ahead of its quarterly earnings. The stock had the opposite reaction, rallying 12% immediately after the results.

One WSJ reader emailed, saying he had sold some of his shares before the report was released, missing out on those gains. "I am mad at you (and me for taking you seriously)," he wrote.

Our call wasn't wrong, per se. But the timing was off. Within days, Rackspace had given back that surge. Three months later, it had lost almost half its value.

For the past 15 years, Ahead of the Tape has taken a view on corporate and economic events before they happen, such as the monthly jobs report or a company's earnings release.

The Tape column, as it is known, tried to do more than predict one-day moves in stocks: It tried to put the companies or economic statistics into context that helped investors prepare for the coming day, and for the weeks and months ahead.

We have had some big hits, including our note of

Right, but Early

Ahead of the Tape's calls on Netflix's shares



THE WALL STREET JOURNAL.

caution on Under Armour Inc. and skepticism about Shake Shack Inc. There have been clunkers as well, including our repeated, and repeated, bearishness on Netflix Inc.

Similar to being a stock picker, taking a view on a specific company ahead of its results is fraught with risk. Even if the company beats expectations, that doesn't mean the stock goes up. Trying to predict how a stock will trade in the short term is generally no better than a coin flip. Such is the conundrum that professional and individual investors (and Tape columnists) face. It also is a perfect example of why picking stocks has become a dying art.

The Tape is ending on a high note. On Wednesday, we said that Wal-Mart Stores Inc. should get credit for its e-commerce business when it reported earnings. Investors agreed: The shares rose 3.2% on Thursday.

Canada and Brazil, the

Flood of Oil Poised to Flow

BY GEORGI KANTCHEV

A wave of new petroleum production from countries like Canada and Brazil is adding a new problem for oil traders who until now had been primarily preoccupied with U.S. output and an OPEC-led coalition cutting supply.

Rising output from

Canada and Brazil, along with smaller gains in the U.K. and Norway, represents an under-the-radar concern for some oil traders ahead of next week's meeting between members of the Organization of the Petroleum Exporting Countries.

OPEC, the 13-nation group that controls about 40% of global crude-oil output, and 11 other petroleum-producing countries are poised to renew supply cuts that they hope will bring oil supply back into balance with demand this year. Oil prices remain down more than 50% from highs in 2014, depressed by an oversupply fueled by U.S. shale production.

Attention had been focused on how shale producers are reacting to the OPEC-led cuts, but Canadian and Brazilian production gains are a factor "that people seem to overlook," said Doug King, chief investment officer at RCMA Asset Management and manager of the firm's \$215 million Merchant Commodity hedge fund.

Not counting the U.S. and the 24 countries in the OPEC-led coalition, the next five biggest producing countries are poised to increase their combined output by roughly 300,000 barrels a day, according to a Wall Street Journal survey.

Canada and Brazil, the

world's seventh and 10th biggest suppliers, respectively, are projected to record the fastest production growth outside the U.S. this year as long-planned projects come online.

Norway and the U.K. are also seen as raising production this year, though by smaller amounts.

To be sure, oil output growth in Canada, Brazil and other countries could slow down in the years ahead. Only one-fifth of Canada's vast oil sands deposits are estimated to be profitable due to high production costs.

Even in the short term, the combined gains from these places are a small addition to a market of 96 million barrels a day. But for now, every extra barrel is a problem for producers that want oil prices to rise.

"This is all part of the larger issue; there is still a lot of oil out there," said Olivier Jakob, managing director of consultant Petromatrix.

Prices have zigzagged around \$50 a barrel in recent weeks, about \$10 a barrel below where Saudi Arabia and

other OPEC members have signaled they want. Analysts widely expect the deal to be extended when the producers meet on May 25.

On Thursday, light, sweet crude for June delivery settled up 0.6%, at \$49.35 a barrel on the New York Mercantile Exchange. Brent, the global benchmark, rose 0.6%, to \$52.51.

Data released Wednesday from the U.S. Energy Information Administration showed that the amount of crude and other fuels in storage declined in the week ended May 12. Also, analysts say signs of improving demand have helped support the oil market.

In Canada, output is expected to hit a high this year at about 4.7 million barrels a day, representing growth of around 200,000 barrels a day, according to the survey.

In Brazil, according to forecasters surveyed by the Journal, oil output is expected to increase by an average of 212,000 barrels a day in 2017, potentially reaching 2.8 million barrels a day.

Treasurys Retreat In Wake Of Rally

BY MIN ZENG

U.S. government bond prices pulled back after the biggest one-day rally in nearly a year.

Demand for bonds decreased on Thursday as upbeat labor market and manufacturing data deflated some worries over the U.S. growth outlook, offsetting political uncertainty surrounding the Trump administration and a brewing political crisis in Brazil.

"The economic fundamentals remain solid," said Eric Souza, senior portfolio manager at SVB Asset Management. "We are monitoring the [political] developments. I don't think anybody dramatically changes their asset allocation strategy at this point."

The yield on the 10-year Treasury note closed at 2.233%, compared with 2.216% Wednesday. Yields rise as bond prices fall.

Demand soared Thursday for an \$11 billion sale of 10-year Treasury inflation-protected securities, or TIPS, another sign the calmer tone in financial markets encouraged some investors to embrace risk.

The auction attracted 80.3% indirect bidding, a category that includes purchases from foreign investors, which was the highest on record.

Political uncertainty surrounding the Trump administration has been deflating investors' confidence in his capability to deliver large fiscal stimulus, leading to reduced appetites for riskier assets.

Meanwhile, Brazilian opposition lawmakers called on President Michel Temer to resign after a Brazilian newspaper reported Wednesday he encouraged a top businessman to buy the silence of a jailed former congressional leader.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are accepted at a single price at the market-clearing date. Rates are determined by the difference between that price and the face value.

NINE-YEAR, EIGHT-MONTH TIPS

Applications	\$29,488,116,600
Accepted bids	\$12,323,383,200
*noncompetitively	\$28,838,700
Auction price (rate)	100.496978
(0.420%)	(0.420%)
Interest rate	3.75%
Bids at clearing yield accepted	73.08%
Cusip number	912828XS4
The Treasury inflation-protected securities, dated May 31, 2017, mature on Jan. 15, 2027.	

Treasury Auctions

The Treasury Department will auction \$193 billion in securities next week. Details (all with minimum denominations of \$100):

◆ **Monday:** \$39 billion in 13-week bills, a reopening of an issue first sold on Feb. 23, 2017, maturing Aug. 24, 2017. Cusip: 912796LQ0.

Also, \$33 billion in 26-week bills, dated May 25, 2017, due Nov. 24, 2017. Cusip: 912796MD8.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

◆ **Tuesday:** \$20 billion in 52-week bills, dated May 25, 2017, maturing May 24, 2018. Cusip: 912796MB2. Noncompetitive tenders must be received by 11 a.m. Tuesday and competitive tenders by 11:30 a.m.

Also, \$26 billion in two-year notes, dated May 31, 2017, maturing May 31, 2019. Cusip: 912828XS4. Noncompetitive tenders are due by noon Tuesday; competitive tenders, 1 p.m.

◆ **Wednesday:** \$13 billion in one-year, 11-month 0.070% floating-rate notes, a reopening of an issue first sold on May 1, 2017, maturing April 30, 2019. Cusip: 912828X54. Noncompetitive tenders must be received by 11 a.m. Wednesday; competitive tenders, 11:30 a.m.

Also, \$34 billion in five-year notes, dated May 31, 2017, maturing May 31, 2022. Cusip: 912828XR6. Noncompetitive tenders are due by noon Wednesday; competitive tenders, 1 p.m.

◆ **Thursday:** \$28 billion in seven-year notes, dated May 31, 2017, maturing May 31, 2024. Cusip: 912828XT2. Noncompetitive tenders must be received by noon Thursday; competitive tenders, 1 p.m.

MARKETS

Market Calm of 2017 Doesn't Look Much Like 2007

Strange as it sounds, placid trading has turned ominous for some investors, highlighting fears that a years-long advance in stock and bond prices obscures a lurking danger, as it did a decade ago.

Small expected stock-price swings, as tracked by the CBOE Volatility Index, or VIX, and narrow junk-bond spreads could point to complacency, many analysts fear. With stock valuations as high as they have been in years, significant selloffs like Wednesday's often prompt questions about how precarious the market is.

Some reasons to believe the fears are overstated: Large banks and households, the epicenter of the 2008 crisis, have delevered. Governments and central banks have taken on more debt, but for now there are few worries about an unruly reversal of those trends.

Yield spreads have narrowed, approaching 2007 levels...

Average yield premium over Treasuries on junk-rated corporate bonds



...as have U.S. households...

Household debt-service payments as percentage of disposable income, quarterly



*Assets/shareholders' equity

Sources: FactSet, Robert J. Shiller (price/earnings ratio); Bloomberg Barclays (yield); FactSet (VIX, leverage ratio); Federal Reserve Bank of St. Louis (household debt); OECD (government debt); FTN Financial (central-bank assets)

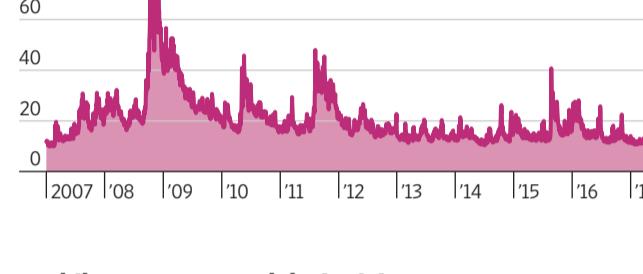
Stocks in the S&P 500 are the most expensive since 2009, relative to their past 12 months' earnings.

30 price/earnings ratio



...while the VIX has reached multidecade lows.

CBOE Volatility Index



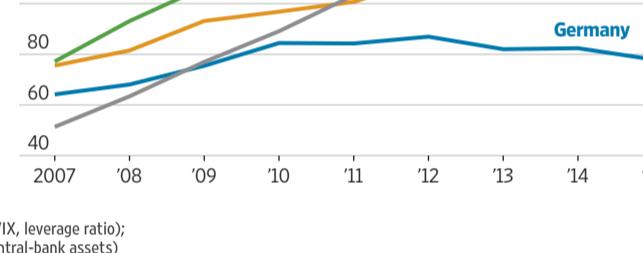
But banks have reduced reliance on borrowed money...

Bank-leverage ratio*



...while government debt is rising...

Gross government debt to GDP



...and central banks continue to act as a buffer.

Total assets: Federal Reserve System, Bank of Japan, European Central Bank
\$15 trillion



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Car Makers Must Share More Technology

Detroit is putting a lot of faith in car-sharing. It may have to get better at technology-sharing.

In what may be the first of many such disclosures in the auto industry as sales growth stalls, **Ford Motor** is planning substantial job cuts following a first-quarter plunge in profits. Investments in far-off tech may be early victims of industry belt-tightening. A more collaborative approach could limit losses while keeping car makers close to the technological frontier.

Ford and **General Motors** have rival Silicon Valley ventures for developing driverless cars, perhaps the hottest area of car tech today. GM bought Cruise Automation last year for roughly \$1 billion.

In February, Ford bought Argo AI in which it said it would invest \$1 billion. The car makers are also developing a range of apps to compete with **Uber Technologies**, among others. GM



offers short-term rentals through its Maven unit and taxis through a \$500 million stake in **Lyft**, Uber's key U.S. competitor. Ford has said its new "smart-mobility" unit will eventually have a 20% profit margin.

Silicon Valley is increasingly open to collaboration. Google sister company Waymo, which is widely seen as the leader in self-driving

technology, revealed Sunday that it would work with Lyft. That is after making clear last December that it had no interest in producing a car itself. **Apple's** secretive car project also appeared to shift its focus last year from making a vehicle to developing self-driving technology.

There are few details surrounding the Waymo-Lyft deal, but the motivations are

clear. Drivers account for almost three-quarters of the cost of a ride-hailing business, estimates brokerage Evercore ISI.

Self-driving cars would cut costs significantly, paving the way for mass adoption and market dominance for the company that gets there first. In exchange, Waymo may eventually get access to Lyft's customers

and their travel data, and a bit more leverage over Uber, which it is suing over the alleged theft of its technology.

Lyft is also expected to test GM's driverless-car technology, so the ride-hailing company will end up with two different self-driving systems on trial.

All this duplication may be good for technological progress, but wastes investors' money.

There is the odd example of platform-sharing. The German car makers formed a joint venture to buy mapping service Here from **Nokia** in 2015. BMW has courted partners for the self-driving technology it is developing with Intel, **Mobileye**—now being acquired by Intel—and **Delphi Automotive**.

Investors are tolerating the current technological arms race while sales are strong. With the industry set to enter tougher times, collaboration, not competition, seems the obvious route.

—Stephen Wilmot

Chip-Gear Maker Still Has Flash

Investors worried about developing a case of altitude sickness with **Applied Materials** can breathe a little easier now.

The maker of semiconductor-manufacturing gear posted another strong quarterly report late Thursday, along with a forecast that easily topped Wall Street's expectations.

The company's revenue surged 45% year over year to \$3.5 billion and operating income more than doubled to \$940 million.

An operating margin of 27% for the quarter ended April 30 was the company's highest in at least seven years, according to data from Capital IQ.

That will come as some relief to investors who have been rallying around the stock. Over the past 18 months, Applied Materials has risen to Thursday's closing price of \$43.91 from around \$15.

This has tracked a generally strong interest in chip-equipment companies that have been buoyed by strong purchasing activity from their customers.

Applied Materials' share price is now at its highest level in 17 years, which will likely spark fears of a downturn given the cyclical nature of this industry.

But pricing and demand for flash and DRAM memory are expected to stay strong throughout the year, and Applied Materials' own forecast is for yet another quarter of solid double-digit growth.

The company's expanded earnings have kept the multiple in check at around 15.6 times forward earnings—in line with the PHLX Semiconductor Index. Applied Materials' peak, in other words, isn't yet at hand.

—Dan Gallagher

China's Housing Market Springs a Leak

In southern China, it is the season of "plum rains," when wet weather helps the fruit ripen—but also causes severe flooding. This spring, China's all-important housing market, which supports around one-quarter of the economy and props up the price of commodities like iron ore and copper, is also looking leaky. Price gains in top-tier coastal markets weakened last month for the first time since January.

The ebbing of house-price growth comes after two months of surprising buoyancy in the markets. Strong gains in February and March came as Beijing clamped down on money leaving the country, leaving more funds sloshing around inside

China. The consequent boost to speculative coastal housing markets like Beijing and Shanghai is now losing steam. So-called tier one housing prices rose just 0.3% on the month in April, half the speed of March.

More worrying, the consumer-debt explosion of 2016 that has underpinned the housing market is finally showing signs of rolling over.

Growth in medium- and long-term lending to houses slowed for the second month in a row in April, notes China economist Julian Evans-Pritchard at Capital Economics, after a massive run-up over the past 18 months. Other April consumer data were soft—retail

sales growth slowed marginally to 10.7% and automobile and mobile-phone production lost momentum.

For sure, price gains in April still accelerated in the lower-tier Chinese cities, which account for about 60% of the market. That will help shore up construction in the short run and support steel demand.

Still, more frugal consumers are washing away price gains in top-tier Chinese cities. If the weakness spreads to the multitude of inland cities that really drive China's commodities demand and support growth, investors should brace for further weakness in metals and debt problems in the industrial sector.

—Nathaniel Taplin

OVERHEARD

Many people have a favorite part of their favorite food and wind up wasting the less desirable parts. Two examples are pulling apart Oreos just for the creamy stuffing or cutting the crust off peanut-butter-and-jelly sandwiches. There was an April Fool's joke version of the former while the latter is sold by the **J.M. Smucker** Co. under the brand name Uncrustables.

Now, cereal maker **General Mills** is coming out with a product many fans of the cereal Lucky Charms would gladly pay for: all-marshmallow boxes of the cereal. The only way to get a box, though, is by being, well,

lucky. One can enter a contest to win one of 10,000 boxes of the confection by buying a plain old box of Lucky Charms.

Assuming one needs to buy several boxes to have a decent chance of winning, one could just make their own marshmallow-only version and find someone who likes the grainy parts. But then where is the fun in that?

This sounds like Veruca Salt, the spoiled girl in "Charlie and the Chocolate Factory." Her doting father bought a lifetime supply of chocolate bars to find the golden ticket that gave Veruca a lifetime supply of chocolate.



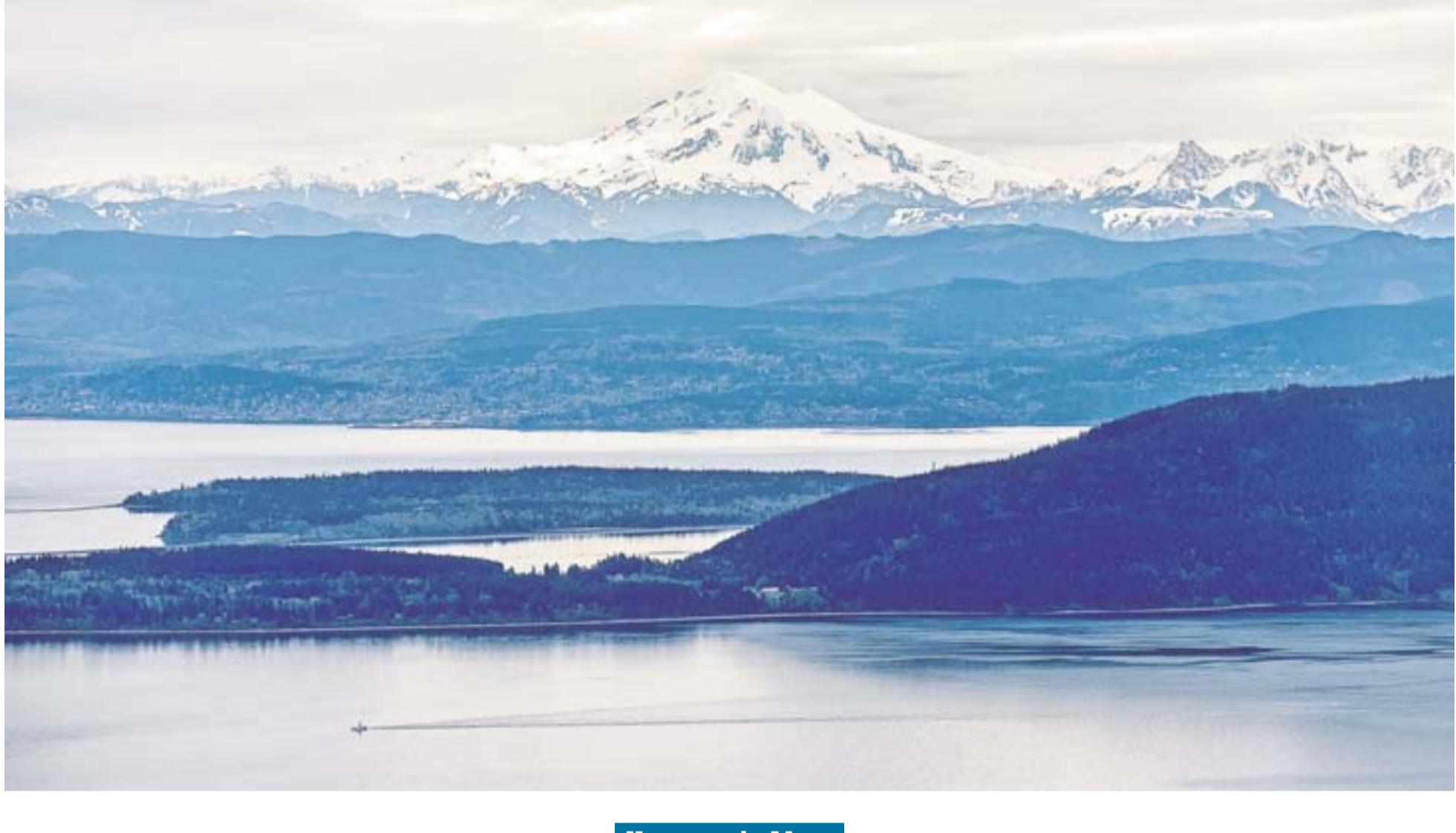
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THE WALL STREET JOURNAL.

Friday, May 19, 2017 | M1

PETER GREENWOOD



FROM TOP: WIQAN ANG FOR THE WALL STREET JOURNAL; DOROTHEE BRAND FOR THE WALL STREET JOURNAL (2)

Homes on the Water

The Secret of the San Juans

The remote archipelago off the coast of Washington State aims to preserve its simple, low-key character amid rising home prices; farm stands on the honor system.



THE SIMPLE LIFE Hardie and Charles Cobbs bought this 1910 farmhouse on Lopez Island as a getaway.

BY NANCY KEATES

THE SAN JUAN ISLANDS, an archipelago off the coast of Washington State long cherished for its remoteness and simplicity, is now the hottest luxury real-estate market in the country.

The priciest 10% of the area's real-estate market rose faster last year than any other U.S. county, according to Realtor.com. The median home value in San Juan County is now \$444,300, up from \$377,600 in 2014, according to real-estate marketplace Zillow. Right now there are four homes priced at \$15 million or higher for sale, including one for \$20 million.

Former Amazon executive Rick Ayre, the owner of the \$20 million house, says the price reflects the property's distinctiveness. Near San Juan Island's main town of Friday Harbor, it is 8,000 square feet on 98 acres and features 765 feet of waterfront, a runway, three ponds and an indoor pool. Mr. Ayre bought the slightly curved

Please turn to page M14



THE SLOW LANE Ms. Cobbs, seen above with her husband, said the island 'is not trendy, it's not precious. It's authentic.'



\$70 MILLION
A Kauai compound is
the most expensive
home listing in Hawaii
M3



INSIDE

LAKESIDE LUXE

A couple builds
their dream home
on Lake Michigan
M4



FANTASY ISLANDS
Homes on the market
on U.S. islands from
Maui to Nantucket
M12

TRAVIS ROWAN/LIVING MAUI MEDIA

FAREWELL, FLAMINGO PINK

Rejecting thatched roofs, tiki bars and hot-pink hues, many affluent home buyers want the laid-back look called tropical modern.

BY ALINA DIZIK

FORGET THATCHED roofs, flamingo-pink tiles and cheesy wooden carvings. Homeowners in warm-weather climates increasingly want the look of laid-back, low-key luxury.

Tropical modern, as the style is called, combines the clean lines and muted color palette of contemporary design with the exotic woods and stone found in island homes. Many affluent buyers are willing to pay a premium for tropical-modern homes.

The style "is having quite a big revival," says architect Iain Jackson, a professor at the Liverpool School of Architecture in the U.K. who studies tropical architecture. He says the look is popular in Hawaii, Bali, the Maldives and other high-end destinations, where it has "taken on a much more glamorous and



CALM AND COOL Miami attorney Howard Srebnick spent nearly \$3 million to build a 9,600-square-foot tropical-modern home.

seductive high-end feel." At the same time, he says, the designs "are borrowing from local vernacular traditions."

Homeowners are starting to ask for tropical modern homes by name, says Paul Fischman, partner at Choeff Levy Fischman, a Miami-

based architecture firm that specializes in the style. Mr. Fischman brings exterior materials such as limestone inside for a more cohesive look between indoor and outdoor living. Colors are cool whites or beige. The designs are the

Please turn to page M8



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Ziff Estate Price Cut to \$165 Million



CLOCKWISE FROM TOP: BRANTLEY PHOTOGRAPHY; DOUGLAS ELLIMAN REAL ESTATE; WIREIMAGE

After two years on the market, the longtime Florida home of the late publishing magnate William B. Ziff Jr., has cut \$30 million off its asking price, reducing the price tag to \$165 million.

Located in Manalapan, just south of Palm Beach, the roughly 15-acre estate named Gemini first went on the market with another firm in 2015 for \$195 million. Even at 15% off, it remains one of the priciest residential properties on

the market nationwide, according to Todd Peter of Sotheby's International Realty, who has the listing with colleague Cristina Condon. The record for the highest-priced home sale in the U.S. was set in 2014, when a home in East Hampton, N.Y. traded hands for \$147 million.

The Ziff family hopes the price cut will "attract more buyers," Mr. Peter said. Given the property's acreage and the amount of water frontage, "they feel like it's an excellent

value at this price."

Straddling a barrier island, Gemini has roughly 1,200 feet of frontage on the Atlantic Ocean and about 1,300 feet on the Intracoastal Waterway. The property was purchased decades ago by Mr. Ziff, scion of the Ziff-Davis publishing empire, who rebuilt the main house around 2002. It served as his primary residence for many years, his family said in a statement. But his sons Daniel, Dirk and Robert haven't used

the home regularly since their father's death in 2006, the statement said, and none of them plan to live there, so they "reluctantly agreed that it makes sense to sell it."

The property has a total of 33 bedrooms and seven kitchens spread across several buildings, Mr. Peter said. The main house measures about 62,200 square feet. A tunnel under the road that bisects the property is air-conditioned and furnished as a living room.

ONETIME ERIC CLAPTON HOME IN LOS ANGELES RELISTS FOR MORE



The onetime home of rock star Eric Clapton in Los Angeles is returning to market for \$5.495 million—a price increase of nearly \$750,000 from the last time it was on the market, five months ago.

Stephen Meadows has been trying to sell the contemporary home off Venice Beach for several years. He first put it on the market in 2011 for \$2.5 million, saying he would donate any proceeds over the asking price to relief efforts in Japan. The house didn't sell. Mr. Meadows relisted the home in July of last



year for \$5.195 million, then reduced its price to \$4.75 million before taking it off the market in December. "The property values have gone ballistic here," he said of his recent price hike.

Mr. Meadows said the house was built in the 1980s and designed by Japanese architect Arata Isozaki, who also de-

signed the Museum of Contemporary Art, Los Angeles on Grand Avenue. Mr. Clapton, who is English, bought the house in 1999 and owned it until 2004, when he sold it to Mr. Meadows for \$1.415 million, according to public records.

"Situated one block from the mellow end of Venice

Beach, it made a perfect bachelor pad and I loved it," Mr. Clapton wrote in "Clapton: The Autobiography." But after getting serious with future wife Melia McEnery and "giving in to homesickness," he wrote, the couple "went back to England for good."

Measuring about 3,000 square feet, the three-bedroom house has a great room with a roughly 30-foot ceiling, according to Josh Altman of Douglas Elliman Real Estate, who now has the listing with colleagues Matt Altman and Juliette Hohnen. Mr. Meadows said he built a mezzanine overlooking the great room and added a fireman's pole to provide access to the first level.

Mr. Meadows, a 66-year-old retired architect and actor who was previously married to TV host Leeza Gibbons, said he is also an inventor and is selling because he needs more space to house his creations.

► See more photos of notable homes at WSJ.com/Mansion. Email: privateproperties@wsj.com

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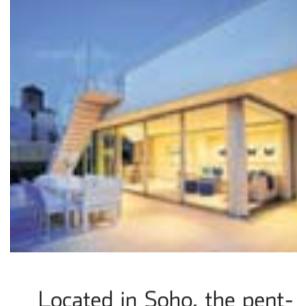
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MANSION

A SOHO PENTHOUSE ASKS NEARLY \$30 MILLION

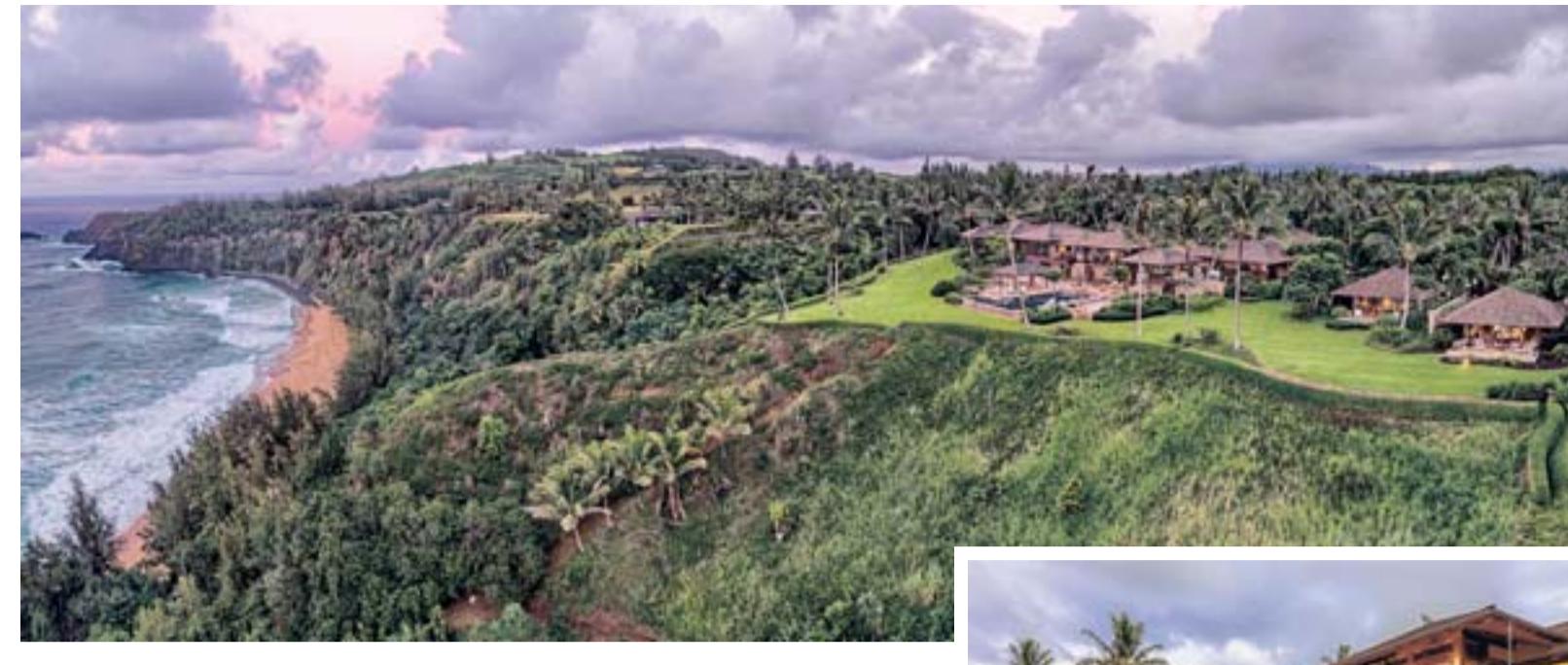
A multilevel Manhattan penthouse with a rooftop hot tub is going on the market for \$29.995 million.

The sellers are Jon Venetos, who last year was replaced as the longtime head of Surveyor Capital, a unit of hedge-fund giant Citadel, and his wife, Ashley. Mr. Venetos founded Dallas-based Lurin Capital last year, according to the company's website. The couple is selling because they are relocating to Texas, said listing agent Mark Jovanovic of Compass, adding that Ms. Venetos recently left her job at Pershing Square Capital Management due to the relocation.



Located in Soho, the penthouse has about 7,500 square feet of interior space spread over three levels. There are four bedrooms and two offices, one of which is in the master suite, according to Mr. Jovanovic, who has the listing with Scott Hustis. The top level, with an onyx-backed bar, opens to a limestone terrace with an outdoor kitchen and wood-burning fireplace.

The couple combined two units to create the spread. They purchased the first unit in 2010 for \$4.5 million, according to property records, then in 2012 bought the floor above for \$4.75 million. They then added the rooftop terrace, according to Mr. Jovanovic.



LISTING IN KAUAI AT \$70 MILLION

A Kauai compound asking \$70 million is the most expensive home listing currently on the market in the state of Hawaii, according to listing agent Neal Norman of Hawaii Life Real Estate Brokers.

Located on the North Shore near the small town of Kilauea, the roughly 15-acre property known as Hale 'Ae Kai sits on a bluff overlooking the Pacific, with a private path leading down to Secret Beach.

The Balinese-inspired main

house is composed of four pavilions connected by covered walkways. One contains the living areas, including a media room and gym; a roughly 1,100-square-foot pavilion contains the master bedroom, which has indoor and outdoor showers. Two other pavilions contain bedrooms.

The property also includes a swimming pool, a caretaker's house and a farm that grows palm, coconut and citrus trees, Mr. Norman said. More houses

could be built on the property, he said.

The property is owned by a trust created by financier William H. Strong and his wife, Sandi, according to public records. Mr. Strong was previously co-CEO of Morgan Stanley's Asia Pacific region, and in 2014 he became chairman of Chicago-based Longford Capital, an investment company that specializes in litigation finance, according to Longford's website.



they anticipated.

In 2014, Facebook's Mark Zuckerberg paid more than \$100 million for roughly 700 acres on Kauai, according to people with knowledge of the transaction.

THE LONGTIME MANHATTAN HOME OF JACOB JAVITS GOES ON THE MARKET



The longtime home of the late Jacob Javits, the influential politician who served as a U.S. senator from New York for more than 20 years, will list for \$5.195 million.

The East 57th Street apartment is being sold by the children of Sen. Javits and his late wife, Marian, who died earlier this year. The couple bought the prewar co-op in the early 1970s, said their daughter Joy Javits. They had previously lived in a larger apartment on

Park Avenue, she said, but moved to this unit after their three children left for college.

A duplex spanning the 12th and 13th floors of the building, the apartment has three bedrooms and measures about 3,300 square feet, according to listing agent Pamela D'Arc of Stribling & Associates.

The large living room has roughly 17-foot ceilings and double-height windows, said Ms. D'Arc. Joy Javits said she remembers her father working

for hours at a desk in the living room. There is also a glass-walled sitting room off the living room which Sen. Javits used to talk business and smoke cigars, his daughter said.

Joy Javits said she had her wedding with about 150 guests in the apartment, and added that her parents frequently threw parties there. Guests at the apartment included Henry Kissinger and Truman Capote, she said.

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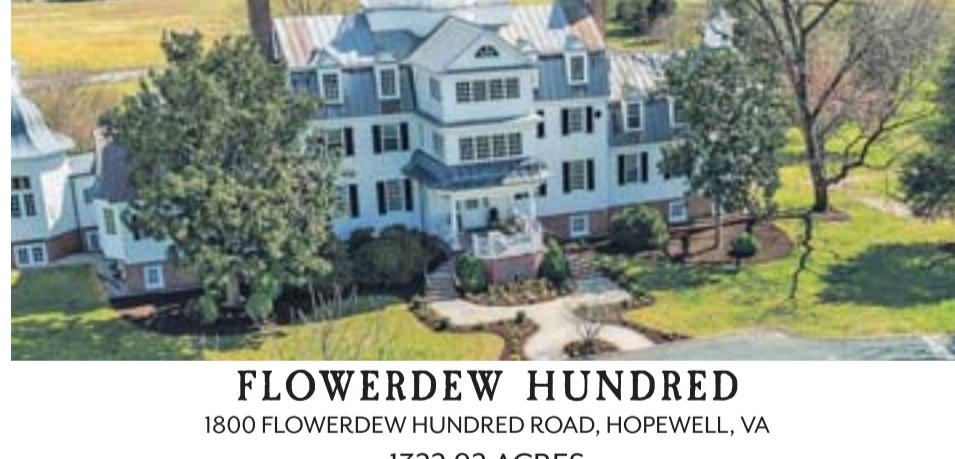
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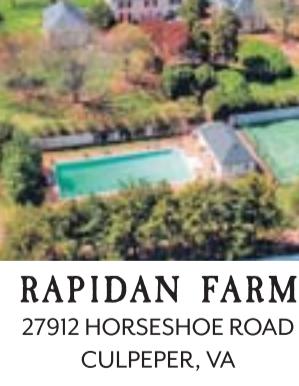
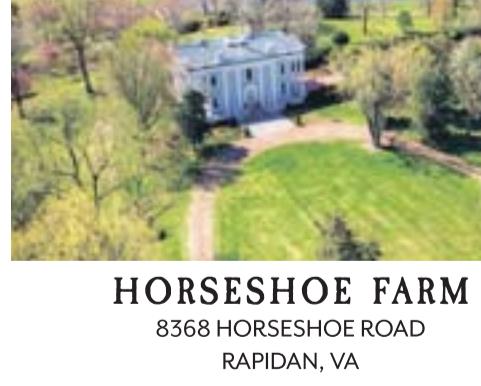
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HOMES ON THE WATER



SETTLED IN Architects Elissa Morgante and Fred Wilson, left, in their kitchen. Above top and bottom, the front and back of the Wilmette, Ill., home they designed and built last year for \$1.3 million.

INSIDE STORY

Their Beloved Lot Was Thought to Be Lost

But a twist of fate revealed the owners of the land they sought—and bought—for their dream home

BY NANCY KEATES

FOR YEARS on her twice-a-week walks, architect Elissa Morgante would pass a rundown little shack on a wooded lot with a Jeep halfway buried in mud out front. The property sat next to a path to a beach right on Lake Michigan in the Chicago suburb of Wilmette, Ill. In time she worked up the courage to knock on the

door, telling the elderly woman who answered that she'd buy the house in a heartbeat. The woman said she'd put Ms. Morgante's name on the list.

Then, one day seven years ago, Ms. Morgante walked by again, only to see the house torn down, trees cleared and a lawn put in. "Someone bought my house," she dejectedly told her husband, Fred Wilson, also an architect.

Three years later, Ms. Morgante and Mr. Wilson struck up a conversation with a couple who had come to their home as part of an architectural tour of the neighborhood. The couple, Peter and Robin Baugher, invited them over to their house, which was also on the tour. Lo and behold, they were the people who had bought Ms. Morgante's dream property—in order to protect the views at their

home next door.

The Baughers weren't looking to sell the land next door. "We thought only a horror would result from that," says Mrs. Baugher, a 66-year-old artist. But they liked Ms. Morgante and Mr. Wilson so much, they suggested a meeting: Both couples should come prepared with the price they thought it was worth. Ms. Morgante and Mr. Wilson thought it was worth several million dollars, but they couldn't afford that, so they decided to offer \$1.5 million. At the meeting, the other couple went first: They suggested \$1.5 million.

"We were like, 'Oh my god, oh my god. This could actually happen.' We were flipping out," says Ms. Morgante.

It did actually happen. After months of meetings, the future neighbors agreed on legal covenants that protect each other's views, and last year Ms. Morgante and Mr. Wilson finished construction on a \$1.3 million, five-bedroom, five-bathroom house on the $\frac{1}{2}$ -acre lot, which has a sweeping lawn that leads down to the lake and a private white sand beach shared by three neighbors.

The couple, who own Evanston, Ill.-based Morgante

Wilson Architects, consider this their dream house. It incorporates both the traditional style preferred by Mr. Wilson, 56, and the more organic modernist style of Ms. Morgante, 58. The front of the home is formal, made of red brick and white stucco, while the back has floor-to-ceiling windows to take advantage of the water views.

It's also the first house they designed just for themselves, not around their three children, who are now in their 20s and not living at home. They didn't hesitate to put in lots of glass because they weren't worried about fingerprints.

They took chances with unusual, rich, textured materials, like kitchen cabinets upholstered in woven vinyl and leather wall panels. The curving, sculptural stairway is made from white plaster, a look inspired by New York's Guggenheim Museum. A sculptural light fixture extends 30 feet from the second-floor ceiling down a stairwell to the basement.

Ms. Morgante and Mr. Wilson met in grad school at the University of Illinois at Chicago. They were both art students who gravitated to architecture. They've funded their increasingly expensive homes through buying low-value houses, fixing them up

and then selling them at a profit. "People always ask us how we can afford to live here since we are architects and architects don't make any money," says Mr. Wilson.

Their first joint home-flipping project was in 1986, when they did a low-budget renovation to a tiny bungalow purchased for \$100,000 in Lake View, Ill. At the time it was a rough neighborhood—their car was stolen and their garage tagged with graffiti. They sold it two years later for \$180,000 and bought their second home, a larger, two-family house in a safer part of the neighborhood for \$100,000. They then spent \$140,000 gutting that and turning it into a single-family home.

In 1994 they sold the second house for \$386,000 and moved to Wilmette, where the schools were better, buying a 1,400-square-foot rundown house for \$294,000 and putting it through a \$300,000 renovation that added another 1,400 square feet. In 2006, they sold it for \$1.2 million and bought the house across the street for \$600,000, putting in \$800,000 to renovate it. That house—the one on the house tour—was sold for \$1.8 million. They plan to live in their dream home for the long term.

During the design process, the couple didn't tell a soul, not even their families, what they were up to because they were afraid the lot owners would change their minds. One of the architects at their firm remarked on how the design was an unbelievable combination of both Ms. Morgante's and Mr. Wilson's styles. They just smiled and stayed quiet.

"It was such a fantasy. We didn't want it to be too real in case it didn't work out," says Mr. Wilson.



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SEEING THE LIGHT The bathtub in the master bathroom, top, of the five-bedroom, five-bath home. Above left and right, a picture wall in the library features family members, and a 30-foot light fixture illuminates the stairwell, which has plasterwork inspired by the Guggenheim Museum.



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Nicole Dreyfuss, 212.439.4529



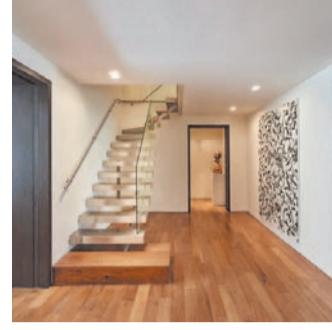
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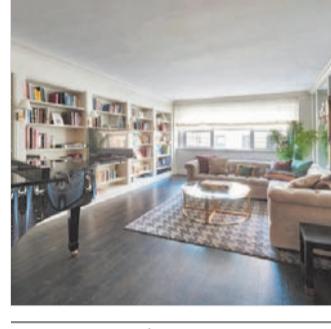
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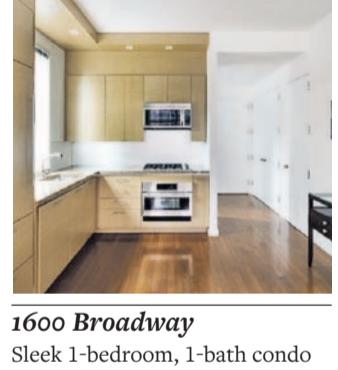
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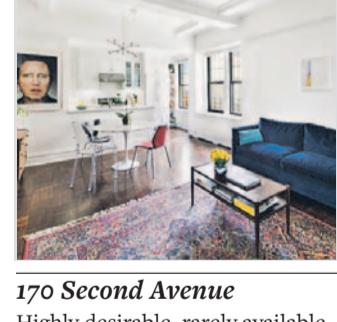
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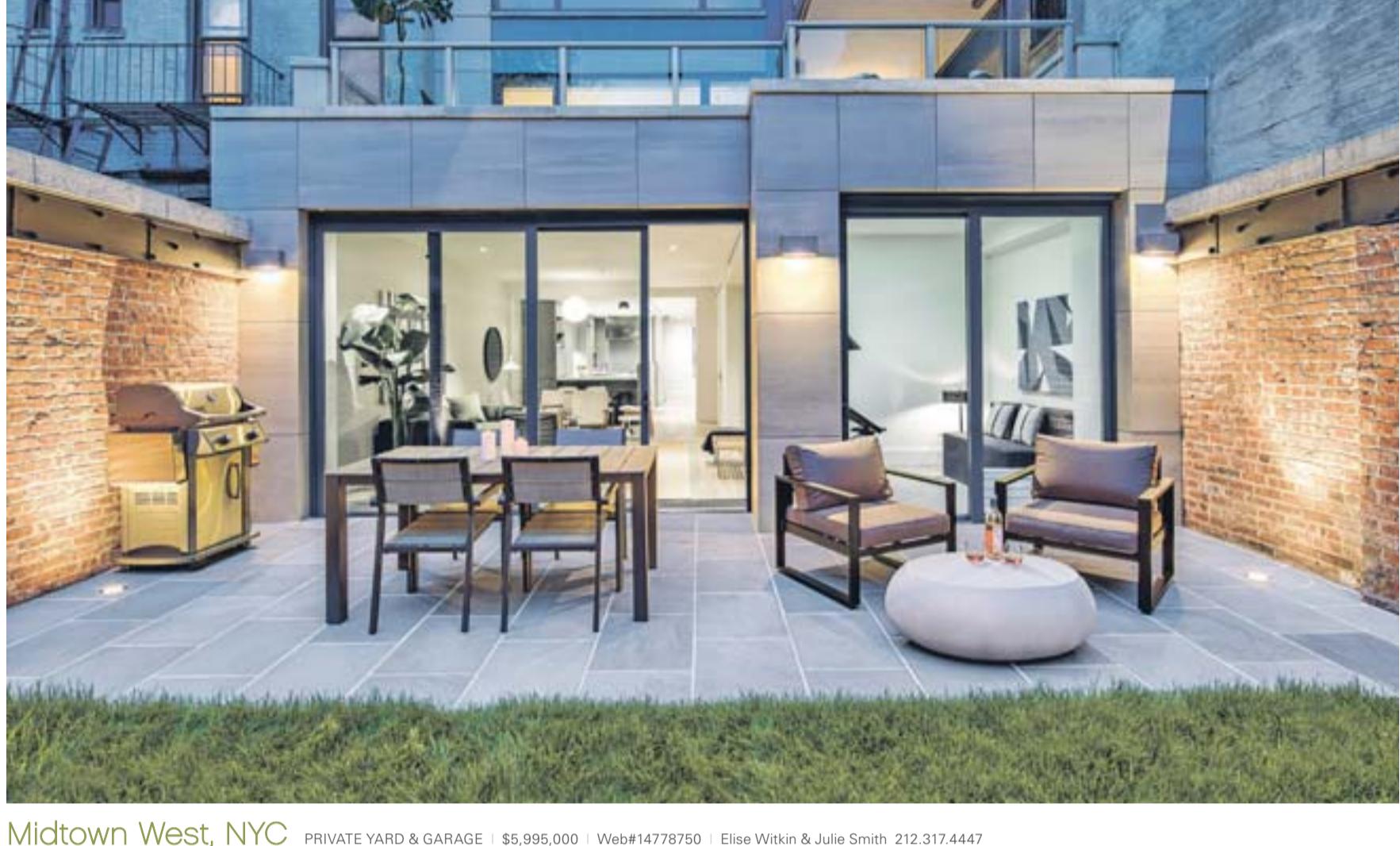
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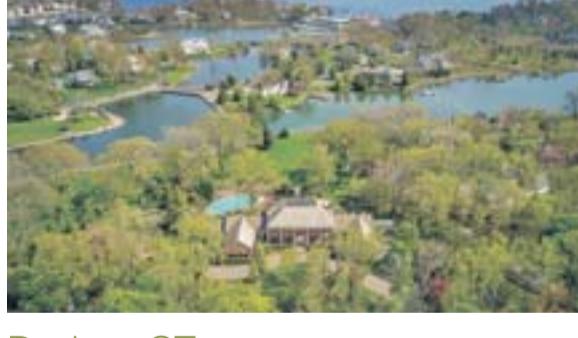
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SPREAD SHEET | STEFANOS CHEN

HOMEOWNERS ON GRAMERCY PARK SEE GREEN

Residences with keys to the exclusive-access garden earn a sales-price premium of about \$292,000, a survey shows



PARKED IN The ornamental park, in New York City's downtown, has a statue of actor Edwin Booth. Above left, one of 383 keys in circulation that allow access; the Alexander Calder sculpture. Above right, park trustee Arlene Harrison; seating in the park.

 What's a walk in the park worth in New York? At the exclusive Gramercy Park in downtown Manhattan, about \$292,000.

That is the average sales-price premium for apartments with key access to the 2-acre ornamental park, as compared with nearby units without the amenity, says real-estate data website StreetEasy.

"You're getting to live in a piece of history," said Grant Long, a senior economist at the firm, who adds the amenity's value is in part due to its rarity. It's the only such key-access park in Manhattan.

Only 39 buildings, a mix of apartments, townhomes, a hotel and private institutions directly on the park, get keys. There are 383 keys in circulation, and the locks are changed every year, says Arlene Harrison, a trustee of the privately funded park.

"If you're half a block away, you can't get it," Ms. Harrison, the so-called mayor of Gramercy Park, says of the key.

StreetEasy reviewed 1,048 sales in the entire Gramercy neighborhood—roughly between 14th and 23rd streets, and First Avenue and Park Avenue South—since 2010. A mere 45 of those included keys to the park. Last year, the area's median sales price was \$977,000; three-bedrooms sold for a median \$3.03 million.

The study compared sales

in the neighborhood with those just along the park that include key access. It controlled for number of bedrooms, bathrooms and square footage, but not for other amenities, such as views, Mr. Long said. Sales were adjusted to January 2017 prices, using a repeat-sales index. (Recently developed condos at 18 Gramercy Park, for example, were excluded because the study focused on resales.)

Fabienne Terwinghe, an agent with Town, last year sold a four-bedroom, 3,477-square-foot apartment in 50 Gramercy Park, with park access, for \$7.71 million, some \$215,000 over asking price.

"We had a bidding war," she said, before selling to a foreign buyer. She said the park access is a major draw, even though many of the prospects may never actually use the privilege.

"It's sort of like a pool, where the vast majority of occupants don't use it," says New York appraiser Jonathan Miller. "But it's nice to know it's there."

He estimates key access translates to a roughly 10% sales premium, half of which derives from simply being by the park.

One recent morning, a jogger pounded the park's walkways beside curios such as a 26-foot Alexander Calder sculpture. The installation is visible from the park's wrought-iron gates, as are the "Please keep off the grass" signs and a list of rules: no pets, no parties, no smoking, no exceptions.



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INSIDE STORY

High Line Living, in Translation

An architect's New York condo-building design, inspired by his Singapore home

BY KRISTIANO ANG

WHEN ARCHITECT Soo K. Chan moves into his own condo in the 31-unit development he is designing alongside New York's High Line elevated park, it's going to feel like home in more ways than one.

His unit includes many of the touches—private pool, tropical-modernist design, warm woods—that are in his primary residence in Singapore. In fact, all the condos in the Soori High Line building are basically "a compressed version" of his Singapore home, says Mr. Chan, 55, founding principal of SCDA Architects.

He bought the Singapore property more than a decade ago. It included a dilapidated two-story villa with a fish pond resting on just under 1½ acres of land near Singapore's Central Business District.

He carved the lot into three parcels, developed and sold residences on two, and kept about a third of an acre for himself. Although the value of his share of the parcel is unclear, he says he spent \$4 million to build his new home. A property of similar size and location would be valued at about \$18 million in the current market, says Alan Cheong, senior director of research at Savills Singapore.

After tearing down the old building, he decided to create a residence that would be "a composite of everything I like."

The old house was on a sunken lot, so Mr. Chan first had the property elevated to where "the ground floor today is where the second level used to be," he says.

Mr. Chan lives in the completed 9,000-square-foot, seven-bed-



room, seven-bathroom modern mansion with his wife, Ling Fu, an Indonesian handbag designer. The couple moved into the two-story home in late 2008, about two years after they first acquired the land. They mostly live there alone; their six sons are at boarding school or in college.

The entryway to his home is a foliage-lined path by a swimming pool that is nearly the length of the residence. The pool is separated from the home by a veranda of black balau wood and granite. An oversized, Buddhist-inspired bronze sculpture from the artist Li Chen is en plein air. "I created the scenery to wash out the neighbors and divert attention," says Mr. Chan.

The architect designed a U-shaped home with floor-to-ceiling glass walls overlooking the pool. The orientation toward the water is reflected in Mr. Chan's High Line project, where some of the homes have in-unit pools.

Directly inside the Singapore home is an open-plan living and dining area. Mr. Chan designed several pieces in the interior, including a large, low table surrounded by sofas in a seating area, and a black brass light fixture hanging over a dining table.

A large trompe-l'oeil ink painting by Korean artist Lee Jung Woong hangs over the couches. Candleholders and ceramic vessels from Thailand and Indonesia sit on a shelf with orange-silk backing. He also has works by Roy Lichtenstein and Frank Stella.

"Architecture is the mother of art," Mr. Chan says. "Without architecture, art would be static."

Down a narrow corridor, a bath-



COUNTERCLOCKWISE FROM TOP: YING YI CHUA FOR THE WALL STREET JOURNAL (3); SOORI HIGH LINE



SINGAPORE SENSE Architect Soo K. Chan, far left. His two-story villa in Singapore, above, and a seating area with furniture that he designed, left. Below, a model unit in Soori High Line.



room features an egg-shape tub made of resin. On the opposite side of the hall is a study with a mini-bar. Sliding panels at one end of the room hide a bedroom. It, too, overlooks the swimming pool.

Mr. Chan has the most fun on the lower level, he says. It has a fitness space, a family room with

foosball and pool tables, and what he calls his man cave: a password-protected wine cellar.

Mr. Chan was born in Penang, Malaysia, and grew up on a 19th-century family compound, with a temple on the grounds, that is now a Unesco World Heritage Site. He studied fine art at Washington

University in St. Louis before training as an architect at Yale University and working in New York. He returned to Southeast Asia in the 1990s.

The architect has several projects in Manhattan. Soori High Line homeowners are set to move into the development later this year.

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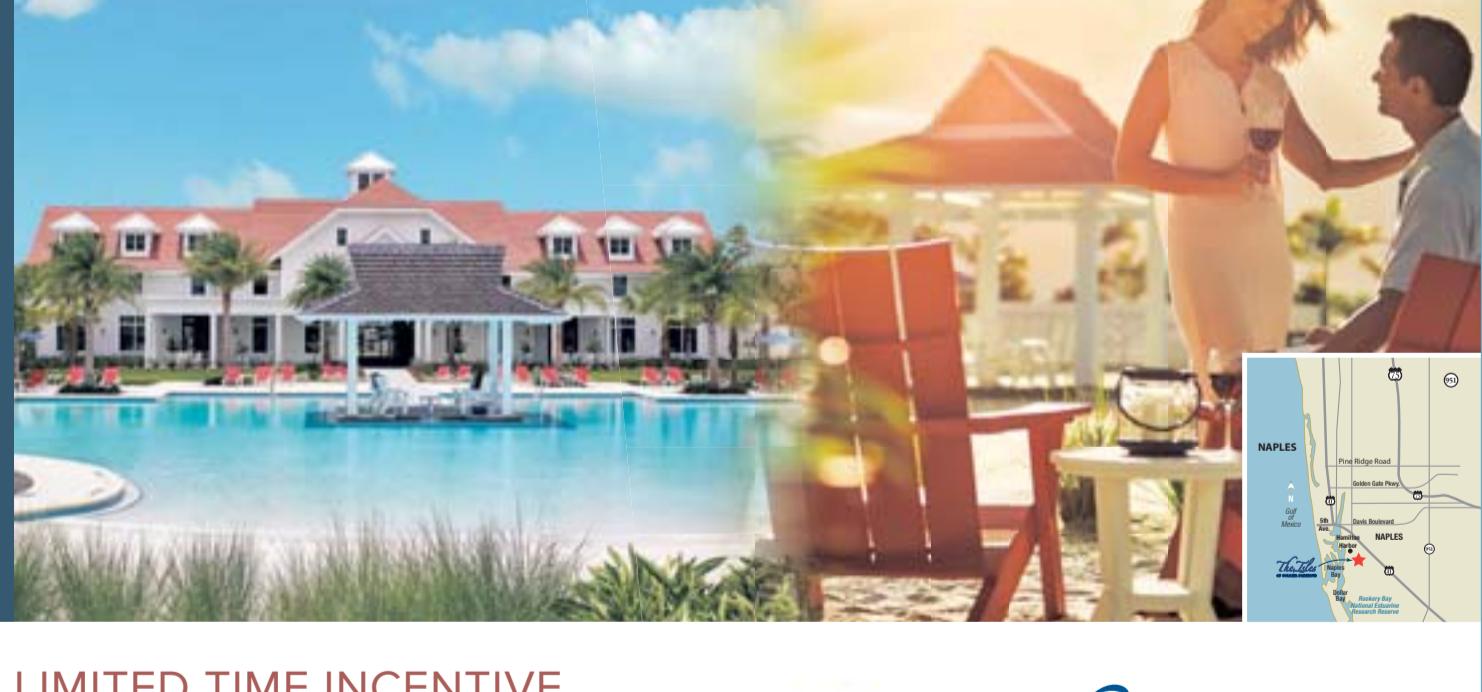
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MANSION

HOUSE CALL | CHARLOTTE RAMPLING

Keeper of Her Family's Secret

The British actress had a fairy-tale room in France; today she has two Paris homes

I've always been good at keeping secrets. Even as a child, I spent more time observing than communicating. I felt I'd be more intriguing if I kept things to myself. My older sister, Sarah, received most of the attention, so I was under no obligation to be revealing.

I was born near Cambridge, England, in my maternal grandparents' Victorian manor house. I remember little about the brick home because we moved when I was still a baby. In all, we would move seven times in 13 years.

My father, Godfrey, was an officer in the Royal Artillery and he was constantly being reassigned. He was very handsome, and each day, a military batman came to the house to help him dress. Then my father went off to headquarters to do military things.

At the 1936 Olympics, he had been a member of the 4x400 relay team that won a gold medal. After the war, when he needed money, he tried to sell his medal, but apparently Hitler had handed out fake gold ones made of steel.

My father didn't earn much in the military, even at his rank. My mother, Isabel, had the money. She was the provider and kept the home shipshape.

Up until my 20s, I was called Charley (pronounced SHAR-lee) at home. It was sweeter and more endearing than Charlotte. I was the younger daughter and very close with my sister, Sarah, who was three years older than me.

The first house I remember was in Swaffham, England. It was an unattractive little house. I was 7

when we moved there. My sister, who was my best friend, was sent off to boarding school.

One day at the local school, I was in the cafeteria eating yet another disgusting lunch when I got up and angrily ran all the way home. My parents sent me right off to boarding school.

The house I remember most fondly was our home in Fontainebleau, France, about an hour south of Paris. I was 10, and my room was in a small tower.

It was an odd, castlelike house with big stones. My room was pink and semicircular, with the windows quite high up. I had to stand on a chair to see out. It was a fairy-tale room that stirred my imagination. Dense woods were just outside, and I was able to run wild there. Living in a turret, I always imagined



Laura Stevens for The Wall Street Journal (Portrait); Charlotte Rampling (Historical)

FRENCH TWIST Charlotte Rampling, above, in her apartment on the Right Bank in Paris (she has another home on the Left Bank); her photo wall is at rear. Below, about age 4, with her older sister, Sarah, at their grandparents' home.

ined a prince charming.

Sarah was delicate and different. Even though I was younger, I was the one who had to look after her. For whatever reason, Sarah didn't have any defenses. What I admired most is that she could love people and everyone loved her.

When I was 13, we moved back to England, to Westwood in Stanmore. Our house was a two-story bungalow with a thatched roof.

Sarah and I sang in amateur concerts in Stanmore. That's when I realized I was a natural performer. One day an agent offered us an audition an hour away in London. So Sarah and I sneaked out and took the Tube and performed in front of three glum men in a theater. Nothing came of it.

I loved being on stage but Sarah didn't. It was the first time I had a certain power over her.

After school I modeled, which

led to small roles in films. Then came a major role in "Georgy Girl" in 1966 and the start of my career.

In 1964, when Sarah was 21, she met a wealthy Argentine cattleman in Acapulco, Mexico. A week later they eloped and moved to Buenos Aires. Though Sarah returned occasionally, my mother couldn't bear her being so far away.

In February 1967, Sarah killed herself soon after giving birth to a baby boy. My father received the news but kept the cause of her death from my mother and me for fear of what it would do to us.

When I found out the truth in 1970, he implored me to keep the secret.

I never told my mother, for fear of losing her. But I lost her anyway. After Sarah died, she slowly became detached from everything.

Today, I live in Paris. I have two apartments in the city. The larger one on the Right Bank dates to the

1930s. It's glamorous, with lots of light and terraces, and it has a 360-degree view of the city on the roof. My other apartment on the Left Bank is more of a student flat.

I never kept anything of Sarah's. I just have many photos of her, and a good number are on a wall in my larger apartment. Her photos are the most precious things I own.

My favorite is when she was 12. We were bridesmaids that day, and she has the expression I told you about earlier, that little smile and an open, sweet look. It's a face you want to love.

—As told to Marc Myers

Charlotte Rampling, 71, has appeared in more than 100 films, including "The Night Porter," "Star-dust Memories" and "The Verdict." She is the author of "Who I Am" (Icon), a memoir written with Christophe Bataille.

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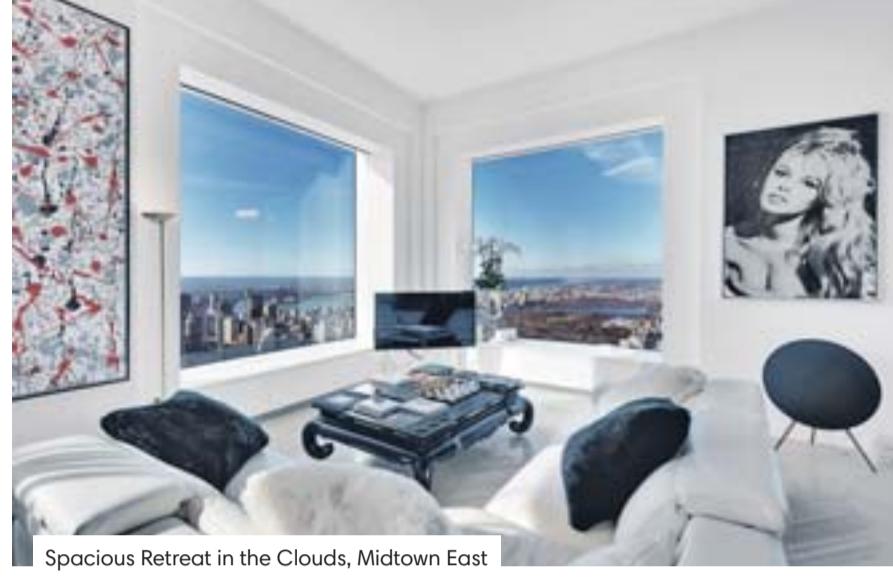
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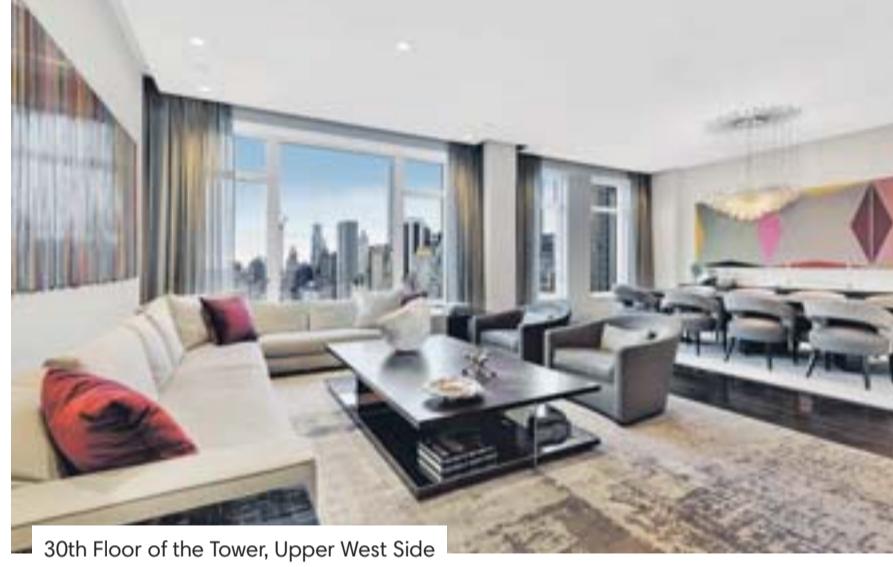
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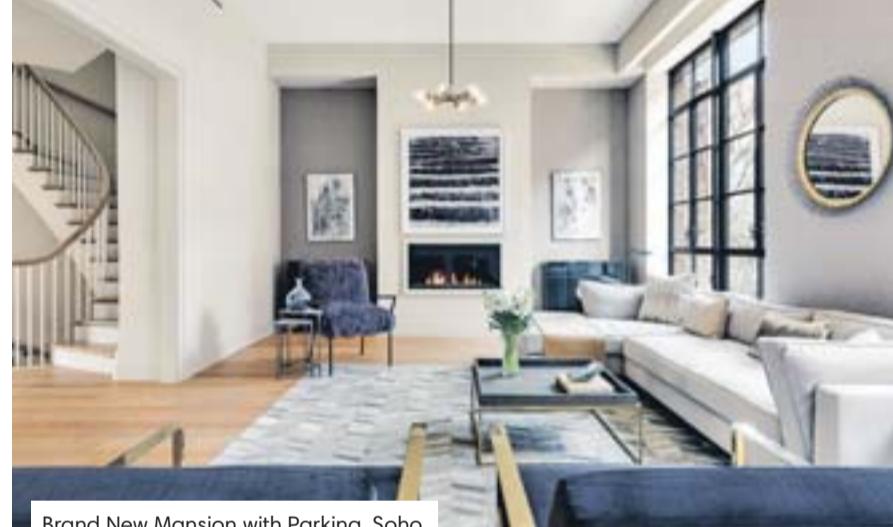
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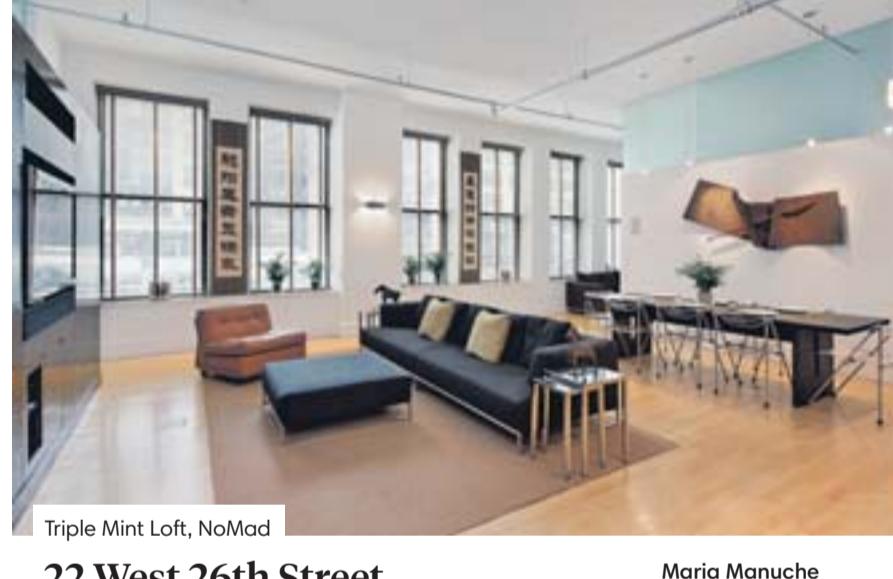
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HOMES ON THE WATER

SAY FAREWELL TO FLAMINGO PINK

Continued from page M1

opposite of the colorful Art Deco homes once popular in the city, he says. "There's no flamingo pink," he adds.

In Miami, attorney Howard Srebnick was inspired by Balinese architecture to build a tropical-modern home in place of a rundown Mediterranean-style home that had been on the property. To maximize the views of Biscayne Bay, Mr. Srebnick worked with architects at Choeff Levy Fischman to design a home where the "emphasis was on the outside," he says. Mr. Srebnick, 54, spent nearly \$3 million to build the five-bedroom, 9,600-square-foot home, where he lives with his wife, Sharon, and two school-age children. Wall-length sliding doors open to the outdoor terraces and an infinity-edge pool with a shallow splash area. A concrete staircase, interior stone and recessed lighting replace a flashier look.

But he didn't get everything on his wish list. Mindful of South Florida hurricanes, Mr. Srebnick opted for plenty of impact-resistant glass and concrete on the exterior instead of Balinese-inspired exterior dark wood features that he originally wanted. "We felt like it was more important to be living in a bunker," he says.

At the home of life coach Alejandra Llamas and real-estate developer Genaro Diaz in Miami's Coconut Grove neighborhood, a magnolia tree is planted inside the home's partially covered entrance as a tropical nod to visitors, but the interiors are intentionally muted. A guesthouse with a gym, maid's quarters, additional covered porches and a separate massage area contribute to a soothing spa feel. "I wanted to give it a sense of visiting a resort," says Ms. Llamas, 46, who is listing the two-year-old home for \$11.9 million because her two teenage children will soon be off to college and she wants to downsize.

Agents say luxury buyers are demanding modern homes with an island vibe and forgoing more tra-



ALEXIA FODERE FOR THE WALL STREET JOURNAL (2)

A TREE GROWS The tropical-modern home of Alejandra Llamas and Genaro Diaz in Miami's Coconut Grove is currently listed for \$11.9 million. The living room overlooks a patio with a magnolia tree planted in the center.

ditional Mediterranean-style homes. In recent years, tropical-modern homes have been selling at a premium of as much as 30% compared with other styles, estimates Susy Dunand, a real-estate agent with One Sotheby's International Realty in Miami. "Tropical modern is what it is now—everybody is looking for something like that," says Ms. Dunand.

Avoiding a strict adherence to modern architecture gives tropical-modern homes a more timeless look, says Lourdes Alatriste, another Sotheby's agent. "If you are too modern, in 15 years that's going to be dated," she says. "This is a younger look and it's more attractive to the eye." Ms. Alatriste adds that homes range from \$6 million to \$12 million in the area and is working with Ms. Llamas in the sale of her home.

When Jennie Wilson, who volunteers with nonprofits, and her husband, Bruce, a commercial real-estate investor, built a tropical-



SUNNY OUTLOOK The living room doors in Howard and Sharon Srebnick's home open up to exterior spaces to blend indoor and outdoor living.

modern home near Hawaii's Kona coast, they worked with San Francisco architect Shay Zak to keep some of the traditional materials found in Hawaiian homes. For example, verandas are supported by columns carved from local Ohia wood.

The master bathroom features a Zen-like lava rock wall and an outdoor shower. "There are nods to Hawaii, but you wouldn't look at it and say 'It's so Hawaii,'" she says. "I don't think [Mr. Zak] would have built us a house if we wanted water-

falls," says Ms. Wilson, who paid nearly \$8 million to acquire the land and build the home in 2007.

The couple couldn't resist the appeal of a tiki bar, but it has a modern, live-edge-wood top on it. The bar is located in the 'ohana, a kind of guesthouse in Hawaii.

The trick is to infuse a tropical environment with a modern, urban aesthetic, says Mr. Zak, author of "New Tropical Classics," a book that features photos and site plans of his designs. Mr. Zak's designs often include traditional hip roofs or gable roofs commonly seen in Hawaii, rather than the flat or steeply angled roofs typically seen on Mid-century Modern homes. "When people go to Hawaii, they don't want a box," he says. "They want something to blend in with the Hawaiian feel when having a mai-tai."

Tropical modernism likely emerged in parts of Asia in the 1940s and '50s, Mr. Jackson says, when modern architects adapted designs popular during the British Empire to build practical and affordable homes. Heavy furnishings and window treatments were replaced with louvered walls and windows to facilitate cross ventilation and breezy interiors. Ornate tilework was replaced with poured-concrete foundations and walls. Initially, "it was austere and done pragmatically to save money" on cooling and building costs, he explains.

Mr. Zak advises clients to use just one or two types of wood, stone or other natural material. Many of his homes use walls of glass as pocket doors that fold away to create covered terraces. "We try to design each house in a way that gets away from the Mainland trends," he says.

Interiors have only hints of the tropics, says Dara Rosenfeld, San Francisco-based interior designer who has worked on dozens of tropical-modern homes in Hawaii. For Ms. Wilson, she designed sofas with a mix of steel and bamboo, and featured abstract art made with oyster shells. "It was a play on Hawaiian, but more subtle," says Ms. Rosenfeld.

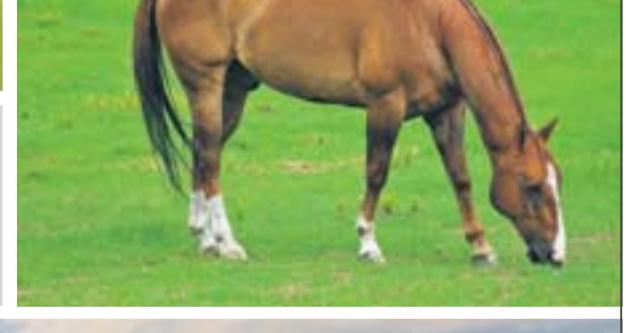
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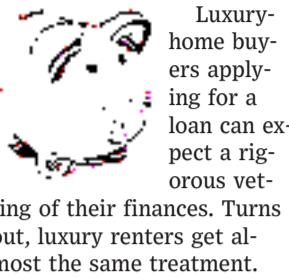
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WHEN THE LANDLORD CHECKS UP ON YOU

Luxury-home renters—some who will pay \$20,000 or more a month—face rigorous financial scrutiny and even background checks



Luxury-home buyers applying for a loan can expect a rigorous vetting of their finances. Turns out, luxury renters get almost the same treatment.

"We typically ask for the first two pages of tax returns, run a credit check, ask for letters of reference and for a W-2 or some other independent verification of income," says Cathy Taub, a senior global real-estate adviser and associate broker with Sotheby's International Realty in New York. Landlords also want to see "a healthy amount of liquid assets," verified by brokerage and bank statements, she says. A criminal-background check is done as well.

When evaluating a prospective tenant, a landlord may consider someone with a credit score as low as 700, Ms. Taub says, but more often, a score of 780 or above is sought. Tenants are often required to obtain umbrella insurance policies to protect against property damage and liability, says Kevin D. Plotkin, a real-estate attorney in Miami. He says it isn't unusual to demand coverage for losses or damages of upward of a million dollars, depending on the property and any included furnishings.

More people who can easily afford to purchase a luxury home are opting to rent. They might be new to the area, seeking temporary digs until they acclimate and decide where to purchase. They might be celebrities, athletes or business executives in town for a limited time—or

says she recently brokered a deal in which the landlord added a restriction requiring the tenant to trim his dog's nails regularly to avoid damage to the pricey flooring.

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ance policies to protect against property damage and liability, says Kevin D. Plotkin, a real-estate attorney in Miami. He says it isn't unusual to demand coverage for losses or damages of upward of a million dollars, depending on the property and any included furnishings.

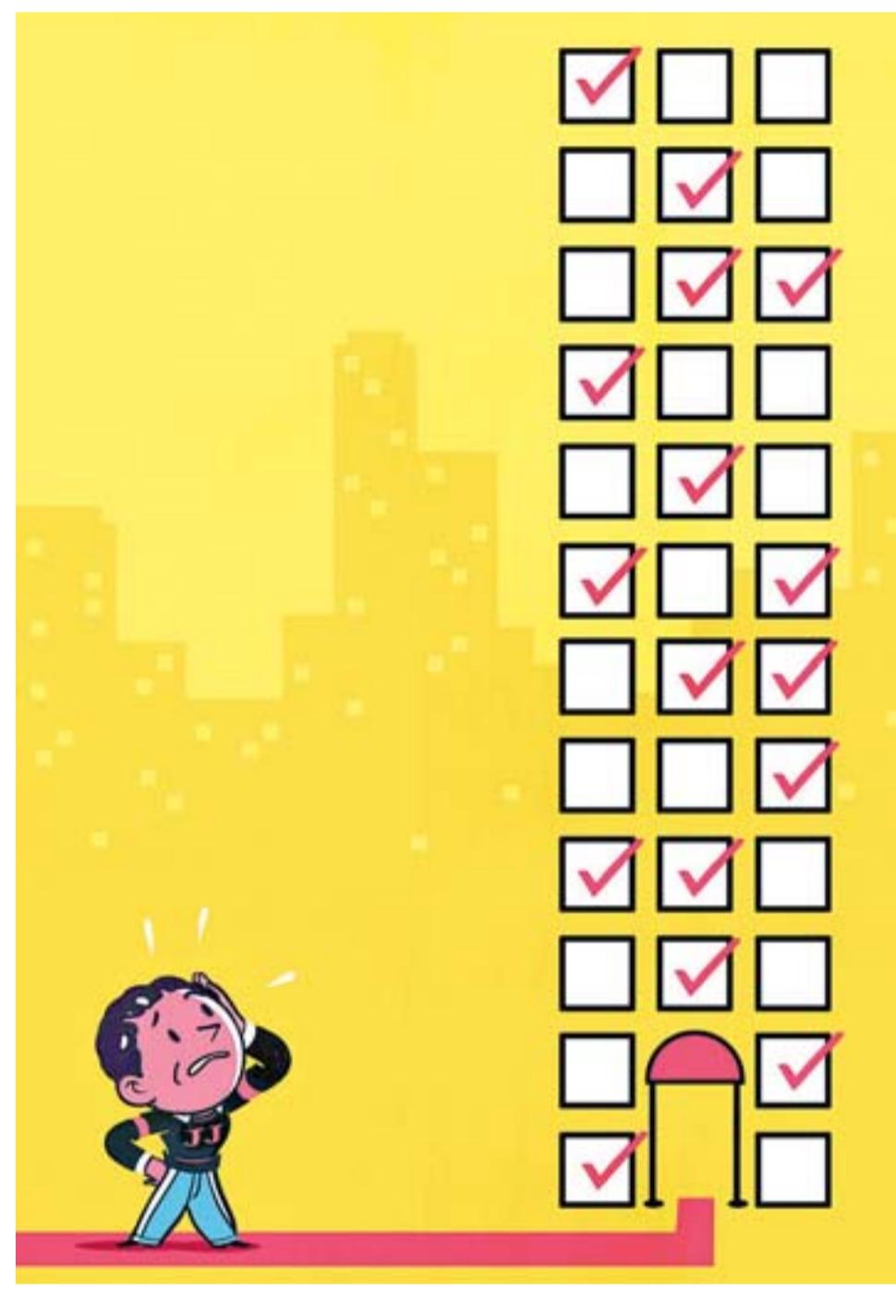
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A landlord may consider a prospective tenant with a credit score as low as 700, but more often, a score of 780 or above is sought.

investors who don't want to commit capital to a home purchase.

Zumper, a national apartment-listing site, says it has more listings in New York

City for rental properties that lease for \$20,000 or more a month than any



other U.S. city.

Apartments and townhouses priced at \$20,000 a month or more represented 0.8% of the rental market in March, up from 0.4% a year prior, according to Jonathan Miller, president of Miller Samuel, an appraisal firm in New York.

For those planning to rent a luxury home for \$20,000 or more a month, here are a few things to consider:

- **Prepay rent.** Many landlords will discount the rent if you prepay for six months or a year. Ms. Taub says a discount of 7% to 10% would be reasonable in New York City; Mr. Hertzberg says he has seen discounts of 25% to 30% on leases prepaid for a year in the Miami area.

- **Negotiate an option to renew—upfront.** Tenants lose leverage as the end of the lease nears. In a high-end property, it takes time to move and settle into a home—and it's expensive to find another property and move again. Plus, the market can change during the lease term. If inventory declines, a tenant could face a hefty rent increase.

- **Do your own due diligence.** Tenants need to know whom they're renting from. Landlords are responsible for maintaining the property as well as returning the security deposit if tenants fulfill their obligations and deliver the property back in good condition. Since the deposit may or may not be held in escrow, depending on the jurisdiction and what the parties negotiated, the tenant is relying on the landlord to act in good faith and return it when the lease ends.

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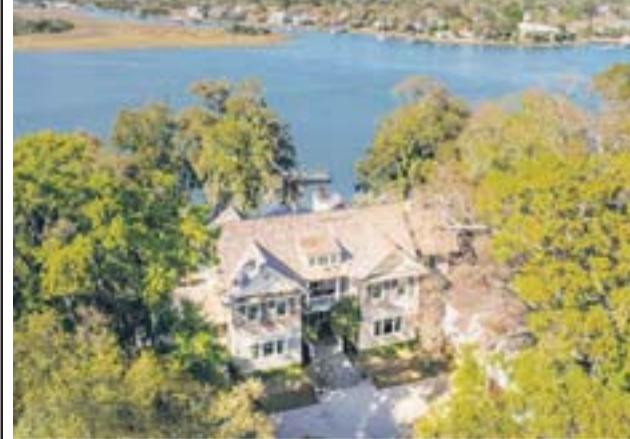


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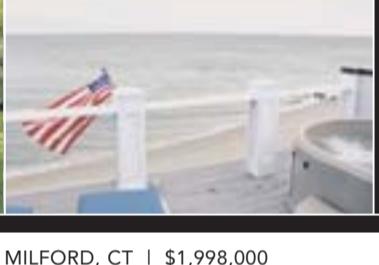
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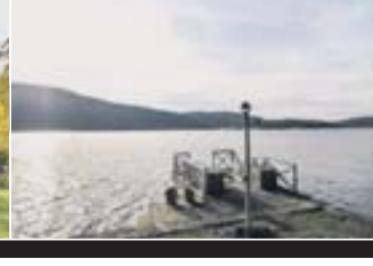
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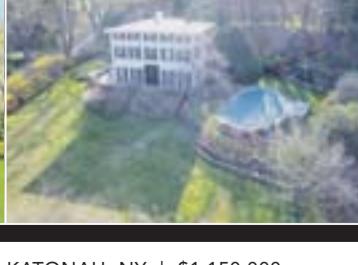
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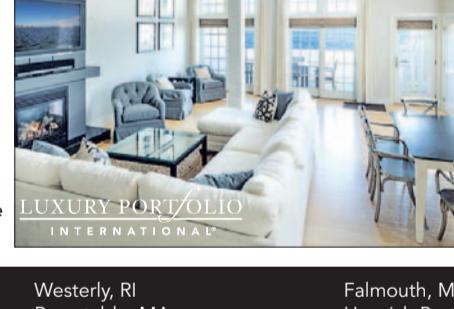
Ann Foley 203.245.1593

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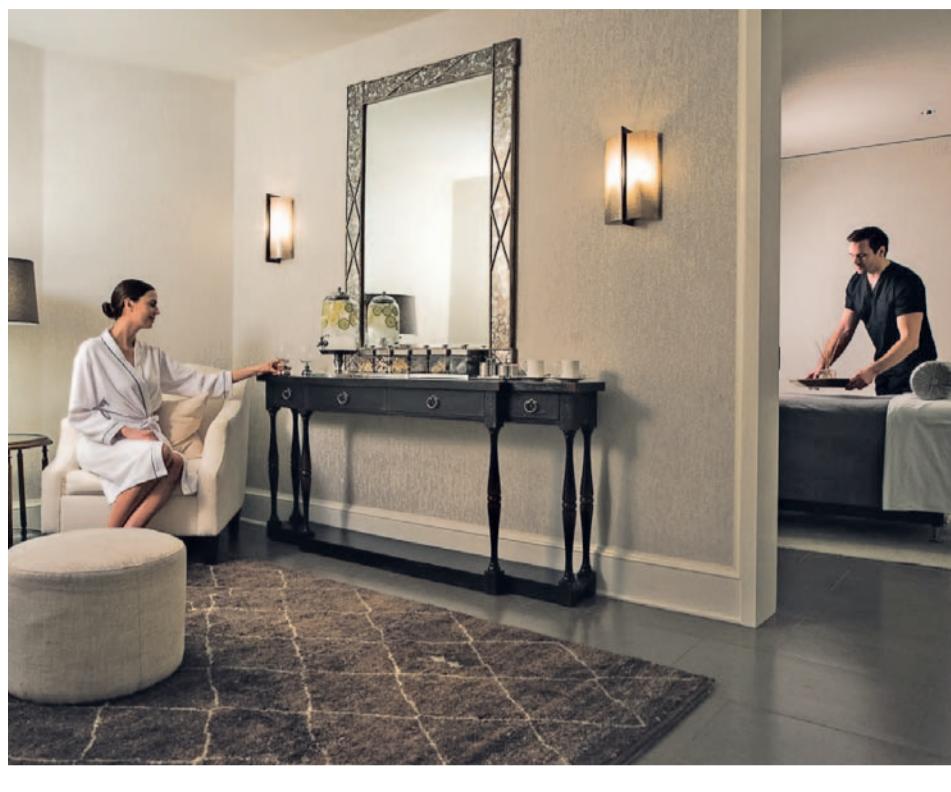


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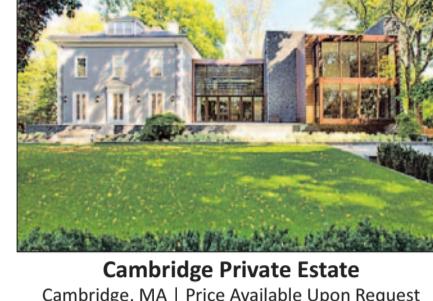


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New shingle-style home offering custom millwork, designer kitchen, limestone fireplace, finished lower level, master with balcony, wrap-around veranda and screened porch. \$2,749,000

Erin Munroe, Sales Associate C. 508.241.7807



FRANKLIN TOWNSHIP, NEW JERSEY
This restored estate is a farm-assessed retreat built circa 1750 located less than 1 hr. from NYC including main house, carriage house, barns, private lake, pool & tennis court. \$2,700,000

Julian Velez, Sales Associate C. 908.265.9236 | O. 908.735.8080



LEXINGTON, MASSACHUSETTS
New grand scale residence offering 4 finished levels, 13 rooms, 6 bedrooms, 7½ baths, smart technology, superb craftsmanship, chef's kitchen, stone patio, and 3-car garage. \$2,698,000

Elizabeth Crampton, Sales Associate C. 781.389.4400



MENDHAM, NEW JERSEY
This exquisite New England-style Colonial offers you 4 levels of meticulous handcrafted details adorning incredible formal & casual space for all of your lifestyle needs. \$2,495,000

Kristin H. Gobbel-Swanson & Sally Mulcahy, Sales Assoc C. 973.229.7832 | O. 973.543.2552



WESTWOOD, MASSACHUSETTS
Impeccable 6,000 sq. ft. home with 5 en suite bedrooms, 6.5 baths, billiard room, sunroom, stone fireplace, huge kitchen, 3-car garage, 2-story barn, pool, and cabana. \$2,449,000

Emily Goode, Sales Associate C. 617.571.5893



WESTON, CONNECTICUT
Stunning 180-degree views. Gorgeous pool featured in an iconic Hollywood film. Beautiful European home. Approx 1 hour from NYC.

\$2,295,000

Gail Liley Zawacki, Sales Associate C. 203.856.9949



NEW CASTLE, NEW HAMPSHIRE
Rare 1920s Tudor home set atop 1.5 acres with stunning views of the Piscataqua River, 100 ft. of shoreline, original details, 16 rooms, 5 bedrooms, and granite kitchen. \$2,250,000

Tanner Birr, Sales Associate C. 603.512.8511 | O. 603.334.1900



CONCORD, MASSACHUSETTS
Classic New England Colonial with 12 rooms, rich architectural details, custom built-ins, 4 fireplaces, 5 bedrooms, cherry kitchen, 3-car garage, and 5-star energy rating. \$2,249,000

Judy Boland, Sales Associate C. 978.407.0146



ROCKLEIGH, NEW JERSEY
This Dutch Colonial estate offers six bedrooms and seven full- and one half-baths, with spectacular great room, three master suites, gourmet kitchen and private elevator. \$2,148,000

Joshua M. Baris, Sales Associate C. 201.741.4999 | O. 201.461.5000



BRANFORD, CONNECTICUT
Flowing waterfront home featuring a 25' ceiling, 4 fireplaces, state of art media, a chef's kitchen, private apartment, 5-C garage. Pool, beach & dock. Panoramic views! \$1,995,000

Susan Wagner, Sales Associate C. 203.444.7403



ESSEX, MASSACHUSETTS
Exquisite shingle-style home set on 8.2 acres with cathedral living room, granite fireplace, 4 bedrooms, updated baths, 2 garages, chef's kitchen, and rooftop tower. \$1,950,000

Scott Smith, Sales Associate C. 617.750.2793



DUXBURY, MASSACHUSETTS
Rare, 19th century coastal home offering 4 bedrooms, 3.5 baths, 11 ft. ceilings, updated kitchen and master bath, wrap-around porch, boathouse, plus deeded beach rights. \$1,795,000

Chris Swern, Sales Associate C. 781.561.5163



METUCHEN, NEW JERSEY
Enjoy the classic details of this 1850's home beautifully expanded & updated with chef's kitchen, expansive family space, finished basement, elevator & manicured gardens. \$1,750,000

Faith Murphy, Sales Associate C. 908.917.3815 | O. 732.494.7700

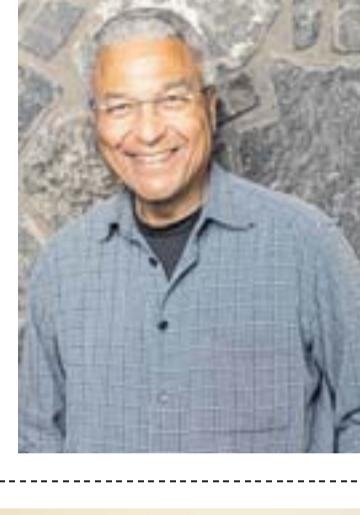


SKILLMAN, NEW JERSEY
Beautifully updated 16-room Colonial with modern indoor-outdoor flow, family room/chef's kitchen, 3rd floor media/office. On 8.99 acres w/barn; 13 minutes to Princeton! \$1,350,000

Stephan

HOMES ON THE WATER

THE SECRET OF THE SAN JUANS



ALL IN Michael Carter, left, found San Juan Island so beautiful he bought 21 acres, built this guesthouse, far left, and lived in it while embarking on a 10-year, roughly \$19 million project to build a 15,000-square-foot main house. 'I'm a perfectionist,' he says. A lighthouse on San Juan, above.

Continued from page M1

house in 1999 for around \$6.3 million and spent about \$3.5 million renovating it. Even with minimal landscaping ("you can't own the land," is his philosophy) the garden alone cost about \$1 million because of the fencing and irrigation.

Some locals worry that the low key San Juans could become overpriced, overdeveloped and overcrowded. The growth in demand has been fueled in recent years by an influx of high-tech companies to Seattle, where soaring home prices make the San Juans look like a bargain. A 2000 study commissioned by the county's planning department concluded that, due to similarities in size, scale, access, environment and trends, the San Juans could well end up like Nantucket or Aspen, places where the report said wealthy purchasers of vacation homes have changed the character of the communities and placed substantial pressure on residents.

"We're trying to figure out how not to be like that," says Rick Hughes, chair of San Juan County Council.

Others counter that because the Pacific Northwest lacks the density of the Northeast it won't turn into another Nantucket. They say the islands' economy has just started recovering and growth has been gradual. They characterize the mega-pricy listings as anomalies: The priciest sale in the San Juans since 2001 was a property on Orcas that sold for \$11.1 million in 2002, according to Merri Ann Simonson, managing broker at Coldwell Banker San Juan Islands.

Representatives for the four listings say they're priced to sell. "We haven't seen sales go into the top realm yet, but this might be the year that changes," says Moya Skillman, an agent with Team Foster at Avenue Properties who is the sales agent for a \$19.98 million home.

Jennifer Johnsen Cameron, vice president of Brand Development Realogics Sotheby's International Realty in Kirkland, is the listing agent for rock musician Steve Miller's house, listed at \$14.8 million; she says the replacement cost of his house is "significantly higher" than the price. Mr. Miller said he picked the island of San Juan because he travels a lot and it has the easiest access. His house has been on and off the market since 2014 for \$20 million and \$17.5 million before settling at its current asking price.

Mr. Miller, 73, bought the multiple parcels in 1996 for \$4.35 million after many years of sailing by the island on his way to Alaska. The property that's for sale has an 11,686-square-foot, stone-and-wood home on a total of about 40 acres. It also has a dock with deep-water moorage. "For a guy like me, who does 70 cities a year, I needed somewhere I could get in and out of," he explains.

San Juan County is made up of some 175 islets between Washington state and Vancouver Island, Canada, and is known for its abundance of orca whales and eagles, hiking and kayaking, and breathtaking scenery.

Life on these islands—with a population of 16,339, according to the latest census—can seem like a throwback. Cellphone service is sketchy. There are no chain stores or traffic lights. Jet skis aren't allowed. Almost every restaurant serves locally grown food. There are still farms that plow with



A DIY VACATION HOME This 1910 farmhouse was purchased by Hardie and Charles Cobbs on Lopez Island, which is flat and rural. Ms. Cobbs, an artist, said she is redoing the house herself, in part because she wasn't able to find any available workers at the time she took ownership of the home.



A WOODSY RETREAT Kathleen Dickinson, above, said it took three years and about \$12 million for her and her late husband, Ron McDowell, to build their house, which was finished in 2007. On 41 acres on Orcas Island, it first went onto market in April 2016 for \$11.6 million, and was reduced last year to \$10 million.

horses and run their farm stands on the honor system. The ferry can get stormed out and the sole hospital has no birthing facility.

The lack of development is a reflection of the area's remoteness. Only four of the islands are accessible by ferry: San Juan, the largest and most touristy, with the sole airport; Orcas, known for attracting artists and Californians; Lopez, which is flat and rural; and Shaw, which has no restaurants or hotels (and where Bill Gates owns property).

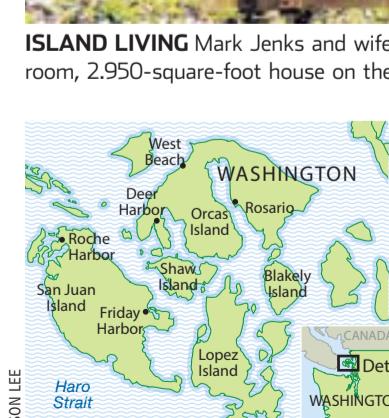
Hardie and Charles Cobbs bought a 1910 farmhouse earlier this year on Lopez Island as a getaway from their main home on Mercer Island. "Lopez is not trendy, it's not precious. It's authentic," says Ms. Cobbs, an artist. She is redoing her house herself in part because she wasn't able to find any available workers at the time she took ownership of the house.

Until two years ago the ferries didn't take reservations, which meant people had to get to the dock hours ahead to ensure a place in line. When that changed, "it turned what was a nerve-racking experience into something easy," says Mark Jenks, 56, an aerospace executive who lives in Kirkland.

As a result, in September Mr. Jenks and his wife Ducksoon Hwang, who had been going to Orcas Island for vacation for many years, bought a four-bedroom, 2,950-square-foot house on 1.9



ISLAND LIVING Mark Jenks and wife, Ducksoon Hwang, at their four-bedroom, 2,950-square-foot house on the water with a private cove on Orcas.



acres on the water with a private cove for \$1.1 million on Orcas. They picked the San Juans because they wanted somewhere "organic and authentic," says Ms. Hwang.

Michael Carter, 74, an attorney and corporate executive, was living in Malibu when he vacationed on San Juan Island; he found it so beautiful he bought two parcels totaling 21 acres in 1999 for \$550,000. In 2002 he built a 1,000-square-foot guesthouse where he lived while he embarked on a 10-year, around \$19 million project to build a 15,000-square-foot house.

"I'm a perfectionist," he explains. Though he built it as a spec house, Mr. Carter has been living there for the past four years. His house first listed in 2015 for \$25 million, and last year was reduced to \$19.98 million.

million.

It took three years and about \$12 million for Kathleen Dickinson and her late husband Ron McDowell to build their house, which was finished in 2007. On 41 acres on Orcas, it is filled with reclaimed wood and intricate architectural details. It first went on to the market in April 2016 for \$11.6 million, and was reduced last year to \$10 million, a price she says is under the cost of construction.

As is usually the case with islands, building a home in the San Juans is expensive. Susan Stoltz and David Kau of Stoltz Kau Architects on Orcas say the cost of construction can be as high as 30% more than on the mainland and finding available full-time workers can be tough. One problem is the growing lack of affordable rentals for seasonal workers.

There is an effort under way to preserve land from development. The county's Land Bank Tax, created in 1990, taxes 1% of real-estate sales for buying up land to preserve the natural heritage, while nonprofits like the San Juan Preservation Trust raise funds to acquire and preserve land.

It's still possible to build a house for under a million dollars: Peg O'Hara and her husband built a house for \$600,000 in 2014 on Orcas on 9½ acres they bought for \$400,000 in 2006. "We just kept it really simple," she says of the 1,400-square-foot house.