

THE WALL STREET JOURNAL.

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★★★★ \$4.00

DJIA 23930.15 ▲ 5.17 0.02%

NASDAQ 7088.15 ▼ 0.7%

STOXX 600 384.62 ▼ 0.7%

10-YR. TREAS. ▲ 5/32, yield 2.946%

OIL \$68.43 ▲ \$0.50

GOLD \$1,310.70 ▲ \$8.10

EURO \$1.1988

YEN 109.19

What's News

Business & Finance

The tax overhaul helped drive earnings at the largest U.S. companies, with over half their combined profit growth stemming from a drop in their rates. A1

◆ **Ex-VW CEO Winterkorn** faces criminal charges in the U.S. for his alleged role in the German auto maker's emissions-cheating scandal. B1

◆ **Some Facebook staffers** can access users' profiles without their knowledge, while employees are alerted to internal snooping. B1

◆ **KKR said** it would convert to a corporation from a partnership in the wake of changes in the tax code. B1

◆ **A who's who** of prominent figures lost a total of more than \$600 million they had invested in Theranos. B1

◆ **Nike's CEO apologized** to employees for allowing a corporate culture that failed to take seriously complaints about workplace issues. B1

◆ **Twitter said** it discovered a bug in how it stored passwords and urged users to change them. B5

◆ **A U.S. appeals court** overturned the securities-fraud conviction of a former Jefferies bond trader. B10

◆ **The Dow recouped** a nearly 400-point drop to end 5.17 points higher at 23930.15. The S&P 500 and Nasdaq fell. B11

◆ **GE warned** that it might put its dormant subprime mortgage business into bankruptcy protection. B6

◆ **Activision reported** record first-quarter results, thanks to increased in-game spending. B3

World-Wide

◆ **Chinese military personnel** are targeting U.S. flight crews in the skies over Djibouti with a high-powered laser in a show of harassment, Pentagon officials said. A1

◆ **Trump hatched** with Giuliani the high-risk plan to disclose on live TV that he had reimbursed his longtime attorney for buying a porn actress's silence. A1

◆ **Comments by Trump** and Giuliani about the payment place the president at the center of questions about possible campaign-finance violations. A4

◆ **U.S. and Chinese negotiators** opened the first round of what are expected to be difficult, recurring talks on trade. A7

◆ **U.S. tariff demands** have split the EU's leading members, with Germany urging conciliation and France advocating a harder line. A6

◆ **Ryan said** the House chaplain will remain in his post and that he will no longer seek his resignation. A5

◆ **North Korea's Kim** reiterated a commitment to denuclearize the Korean Peninsula at talks with a Chinese envoy, Beijing said. A7

◆ **Giuliani said** Kim agreed to release three detained U.S. citizens, but the White House cautioned that no deal had been completed. A7

◆ **Missouri lawmakers** will convene a special session to consider impeaching embattled GOP Gov. Greitens. A3

◆ **Arizona teachers** are expected to return to school after the state granted some of their demands. A3

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U.S. NEWS

Relief Planned for Workers' Rising Rents

Freddie Mac will offer cheaper loans to landlords who keep housing affordable

By LAURA KUSISTO

Freddie Mac, the country's largest backer of apartment loans, will offer low-cost loans to real-estate owners willing to keep their buildings affordable to middle-class families for years to come.

The move could open up a new approach to creating and preserving middle-class housing. It uses market incentives rather than government subsidies to persuade real-estate companies to preserve units for the middle of the rental market, an area of concern for policy makers in recent years.

"The supply of workforce housing is rapidly declining. There's an urgent need to preserve what's there and find ways that you can effectively create more," said David Brickman, an executive vice president at Freddie Mac and head of its multifamily division.

The initiative will offer lower interest rates to landlords who agree to rent the majority of units in a building at levels affordable to tenants making 80% or less of the area's median income, a range that typically includes nurses, teachers and police officers. The units must remain affordable for the term of the loan, typically about a decade.

To start, Freddie will back up to \$500 million of loans to **Bridge Investment Group**, a Salt Lake City-based landlord with roughly 30,000 apartments around the country. Bridge has identified 38 metropolitan areas for investment.

Bridge recently closed on its first property for the project, a 352-unit apartment community in the Tampa, Fla., area.

Roughly 82% of the units in the building are considered affordable to tenants making 80% or below of the area's median income, meaning a two-person household that earns about \$41,000 or less, according to federal guidelines.

The Tampa metropolitan area is still relatively affordable, but costs have been rising



Tampa rents increased 1.2% in the first quarter, the 11th-fastest growth among 79 metro areas.

even as it remains one of the poorest major metros in the country. Average monthly rents increased 1.2% in the first quarter to \$1,028, according to Reis Inc., ranking it 11th among 79 major metros for fastest rent growth during the period.

"Players have raised rents to justify returns, and many residents have been priced out" of central areas, said Inna Khidekel, managing director of the capital markets group at Bridge. Now, she said, even many of the sub-

urban areas "are at risk of no longer being affordable."

Freddie Mac's apartment lending helps it fulfill a mandate from the Federal Housing Finance Agency to lend to underserved communities, because renters tend to be less

wealthy than homeowners. Freddie doesn't make development loans, but backs loans for purchases of existing buildings.

Roughly two-thirds of the \$73 billion of multifamily loans Freddie purchased in 2017 went to apartments affordable to households making less than 80% of the area median income.

Still, that is down from three-quarters of its loans that went to such units in 2013.

More than 60% of U.S. renters earn less than 80% of the area median income, according to Bridge.

Mr. Brickman acknowledged that Freddie normally has no oversight over whether owners will raise rents sharply after the mortgage giant makes its loans.

As the top end of the market has become saturated, investors increasingly have been focused on buying midprice buildings, renovating them and raising rents.

"There's nothing about our typical loan that prevents someone from raising rents," he said.

The Heat Is On in the Nation's Capital



LET THE SUN IN: Kellye Sims took in the warm weather Thursday in Washington. Friday's forecast calls for highs in the low 90s.

Trolls Grab U.S. Twitter Accounts

By SAMARTH BANSAL AND ROB BARRY

Sometime in the past few years, the official Twitter account for the U.S. Geological Survey's National Atlas program did something unusual: It started posting politically charged messages. In Russian.

"It's time for the West to cancel sanctions and stop demonizing Russia," the account wrote on Feb. 26, 2017, using Cyrillic script. "In USA Trump's popularity is growing amid declining Democrat's ratings," it tweeted a month later.

The messages may have surprised cartographic enthusiasts, because as of last month, the handle still appeared on the government's list of official accounts, called the Digital Registry. The U.S. had in fact deleted the National Atlas handle years earlier—and it was later picked up by another user.

The federal government's troubles combating Russian trolls spreading fake news isn't its only problem on social media. It is also struggling to keep track of which accounts are its own, The Wall Street Journal found. The National Atlas's handle was one of 10 such Twitter accounts listed in April as controlled by the U.S. government, when in fact they were no longer under federal control. Four were tweeting in languages other than English.

"In hindsight, it seems like the government agency should have kept the Twitter account even if they weren't going to use it," said Keith Jenkins, a researcher at Cornell University who used the National Atlas service before it was deleted.

The U.S. launched the registry in part "to confirm the official status" of government social media accounts, according to the

service's website. The registry's purpose: "To help prevent exploitation from unofficial sources, phishing scams, or malicious entities."

But the Journal's findings raise questions about that premise, experts said.

"How can we trust the list at all if some of it is wrong?" said Libby Hemphill, a professor at the University of Michigan who researches social media.

A spokesman for the U.S. General Services Administration, which maintains the regis-

try, said it was up to individual agencies to ensure information is accurate.

Shortly after the Journal asked about the rogue handles, a warning popped up on the service's website: Accounts whose registry entries hadn't been recently updated had been "archived," and wouldn't be visible to the public.

"This was done to help ensure that users can trust that accounts listed in the U.S. Digital Registry as official are still active," the notice said.

The U.S. Geological Survey, which operated the National Atlas account, said the Twitter account was archived on July 22, 2015, and the handle scrubbed from the organization's website. But the agency had "neglected to remove it from the registry."

"While we do go through and periodically do checks of accounts in that system, this one wasn't caught, unfortunately,"

an agency spokeswoman said.

The account name appropriations appear to happen when a government account changes its screen name or gets deleted, and a new account assumes the old name.

The Journal also reviewed government accounts on Facebook, Instagram and YouTube, but the problem with commandeered handles didn't appear as acute. Facebook allows users to change their page name only once and Instagram and YouTube have rules about reuse of old screen names. Twitter users can recycle screen names—or change their identity at will.

A Twitter spokeswoman told the Journal to address questions to the digital registry, adding the company tries to work with the government on account security.

The expropriated screen names identified by the Journal included two linked to agencies of the Department of Homeland Security, which helps protect the country from malicious cyber actors.

TSABlogTeam, which as of November 2014 had about 40,000 followers, was listed as part of DHS's Transportation Security Administration, and previously tweeted tips for safe travel.

Now, it appears to be a promotional account operated by someone using the name Wiley B. McCall. Its most recent tweet, on Jun. 4, 2016, said: "Comply with The 3 P's Of Advertising and marketing." The account didn't respond to a Twitter message.

Since the screen name was taken over, hundreds of people have interacted with it as if it were still connected to the TSA, including one tweet from DHS's own Twitter handle, the Journal found. A TSA spokesman said the agency was "working to up-

date the national registry."

Another ex-DHS account reviewed by the Journal once belonged to the administrator of the Federal Emergency Management Agency.

The account, CraigAtFEMA, which in March 2016 had about 54,500 followers, changed its name after Craig Fugate's tenure as FEMA administrator came to an end in January 2017.

But that update wasn't made on the registry listing, and a new account, also called CraigAtFEMA, soon sprouted. The account says its name is "maja franjic," boasts images of a mustached man. Its single tweet, on Jan. 21, 2017, says: "Just setting up my Twitter. #myfirstTweet." It didn't respond to a message from a Journal reporter.

A FEMA spokesman said the agency would correct the error.

A DHS spokeswoman said the agency was "currently working with GSA to ensure they have the most updated information on their website." The spokeswoman said DHS kept a separate, "updated" list on its website—which also turned out to have errors, including three Twitter accounts that didn't exist and one that was suspended.

"It's shocking something malicious hasn't happened using this exploit," said Justin Littman, a researcher at George Washington University who has written about the appropriation of government accounts by rogue operators.

Erstwhile official accounts could have been purloined. The Journal found three of the government accounts on the registry last month were suspended by Twitter—a move that typically happens after the platform determines an account has violated its terms of service.

◆ Twitter urges users to change passwords B5

U.S. WATCH

GEORGIA

Probe Begins Into Military Plane Crash

U.S. military officials took their first formal steps Thursday in investigating the crash of a Puerto Rico Air National Guard cargo plane a day earlier in Savannah, Ga., that killed the nine service members on board.

The Air Force said it has established an accident investigation board to determine what caused the plane to go down and erupt into flames.

The plane, a 60-year-old WC-130 Hercules on a training mission, went down shortly after takeoff and narrowly missed hitting vehicles and people on the ground, officials said. Immediately after the late-morning crash, video and photos showed billowing gray smoke rising from the site, with much of the plane destroyed, except for its tail.

The plane, which was involved in hurricane relief efforts in Puerto Rico, was part of the 156th Airlift Wing, a unit of the island's Air National Guard.

—Nancy A. Youssef

COMMERCE DEPARTMENT

Foreign-Trade Deficit Narrowed in March

The U.S. trade gap narrowed sharply in March, partly reversing a widening in the deficit that followed hurricane-related disruptions late last summer.

The international-trade deficit in goods and services shrank 15.2% from a month earlier to a seasonally adjusted \$48.96 billion in March, the Commerce Department said Thursday.

It was the largest one-month decline for the U.S. trade deficit in two years, taking it to its lowest level since September. Hurricanes Harvey, Irma and Maria had disrupted port traffic and damaged

parts of the Gulf Coast and Caribbean in August and September.

Imports dropped 1.8% in March, "starting to reverse the surge which followed the hurricanes last summer, when wholesalers and retailers had to rebuild inventory very quickly," Pantheon Macroeconomics chief economist Ian Shepherd said in a note to clients.

Meanwhile, U.S. exports climbed 2% from February to their highest dollar value on record including larger shipments abroad of civilian aircraft, soybeans, corn and crude oil.

—Ben Leubsdorf

WASHINGTON, D.C.

Another Staffer Is Leaving the EPA

The top spokeswoman for the Environmental Protection Agency is leaving the agency, the third departure this week of an aide close to Administrator Scott Pruitt, who is facing investigations into management and spending practices.

Liz Bowman's announcement follows the exit of two other top EPA officials—Mr. Pruitt's head of security and the administrator of the Superfund program that cleans up toxic-waste sites.

She told The Wall Street Journal in an email that she is leaving for a congressional position, becoming communications director for Sen. Joni Ernst (R, Iowa).

Ms. Bowman called the new position "an opportunity I couldn't pass up to serve Senator Ernst and the people of Iowa."

Mr. Pruitt is under investigation by the White House, inspector general of the EPA, House oversight committee and Government Accountability Office over spending on security, lodging, and travel, along with allegations that he pushed out staffers who criticized his decisions. He has denied the allegations and noted that ethics officers cleared the actions.

—Heidi Vogt

CORRECTIONS & AMPLIFICATIONS

Beatrice Straight wasn't Basil Rathbone's daughter.

The caption with a photo of the actress that accompanied a Business & Finance article Tuesday about retail clerks incorrectly said that she was.

If Real Madrid wins this

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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NRA Set to Gather, Counter Gun Control

BY DAN FROSCH
AND ZUSHA ELINSON

DALLAS—About 80,000 people are expected to attend the National Rifle Association's annual conference here this week, among the largest annual meetings ever for the group.

President Donald Trump and Vice President Mike Pence are scheduled to speak, as is Texas Republican Gov. Greg Abbott and the state's two Republican senators, Ted Cruz and John Cornyn.

So many vendors registered to showcase their wares at the conference, set to kick off Friday, that the NRA had to wait-list some because there was no more room at Dallas's downtown convention center, the group said. The conference is taking place as the NRA has faced a corporate and public-relations backlash.

The gun-control movement has been re-energized in recent months, led by survivors of the Feb. 14 shooting at Marjory Stoneman Douglas High School in Parkland, Fla. Traditionally pro-gun states, such as Vermont and Florida, have since passed measures to toughen access to firearms, and some major companies have cut ties with the NRA.

NRA members "feel the Second Amendment and the NRA have been unfairly targeted,



A firearms examiner worked on the showroom floor in Dallas Thursday as the NRA prepared to host one of its largest annual meetings ever.

and they are outraged," NRA spokesman Andrew Arulananadan said.

The convention caps one of the most prolific fundraising efforts in the NRA's history. In the

first full month after the Florida shooting, the NRA Political Victory Fund raised almost \$2.4 million, up from \$779,000 in February, according to Federal Election Commission filings.

The March total was the highest monthly haul in at least a decade, according to the filings.

Elizabeth Potter, who was at the convention with her husband for the first time, said she

contributed \$1,000 to the NRA after the Parkland, Fla., shooting because she felt the general public was being misinformed about guns. "I just feel like we're maligned," she said.

Attendance won't be finalized until Sunday. Last year's event in Atlanta drew 81,000 people, the second-largest conference for the group. The largest annual meeting was held in Houston in 2013, drawing 86,000 people.

Gun-control groups and families of gun-violence victims have planned protests. One local group, Next Generation Action Network, was set to hold a rally Friday evening near City Hall. Another organization planned to stage a "die in" Friday at the Kay Bailey Hutchison Convention Center, where the NRA meeting is taking place.

Mayor Mike Rawlings, a Democrat, said he wasn't thrilled about the convention taking place just weeks after a Dallas police officer was shot and killed by a man caught shoplifting. Mr. Rawlings had resisted calls to have the convention moved, saying the city was bound by a contract with the NRA and hoped the event would be a chance for both sides to engage in a dialogue. He said he was disappointed after having to cancel a forum on the Second Amendment this week because the NRA and the group Everytown for Gun Safety declined to participate.

The NRA didn't comment. A spokesman for Everytown, Andrew Zucker, said, "We already know where the NRA stands."

Missouri Lawmakers To Weigh Governor's Future

BY SHAYNDI RAICE

Missouri's Republican-held House and Senate called a special session to consider impeaching embattled GOP Gov. Eric Greitens.

The decision Thursday comes amid mounting pressure on the governor to resign over criminal charges that he tied up and photographed an undressed woman with whom he was having an affair, without having obtained her consent. He has also been charged with felony computer tampering over his alleged use of a charity donor list during his 2016 campaign. His trial begins in St. Louis on May 14.

The special session will begin on May 18.

"The process has monumental consequences, and the gravity of what we are commencing is not taken lightly," said Senate Leader Ron Richard, a Joplin Republican.

The legislators said the special session would give special committees assigned to investigate allegations against the governor more time to finish their work. During the session, the House can consider articles of impeachment, which would require a simple majority vote before moving onto the Senate. The Senate would appoint judges to conduct an impeachment trial.

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

Special sessions are normally called by the governor, but the state constitution allows the General Assembly to call itself into a special session if it has signatures of support from at least three-quarters of the members in both the House and the Senate.

St. Louis Circuit Attorney Kim Gardner in February charged Mr. Greitens with criminal invasion of privacy for allegedly taking a nude photograph of the woman in the case without her permission and transmitting it on an electronic device. The married governor had previously admitted to the extramarital affair but denied anything illegal.

In April, Ms. Gardner added a felony charge alleging Mr. Greitens misused a charity donor list during his gubernatorial run.

Mr. Greitens has consistently refused to resign and has called the charges against him a "witch hunt."

On April 18, he posted on Twitter that in a matter of weeks "this matter will go to a court of law—where it belongs and where the facts will prove my innocence."

Employers Skeptical of New York Tax Fix

BY RICHARD RUBIN
AND MIKE VILENSKY

New York state lawmakers found a clever way for employers to help their workers circumvent a new \$10,000 federal cap on state and local tax deductions. Employers, however, so far aren't crazy about it.

The idea, which became law last month, creates a new optional payroll tax that shifts the state and local tax deduction from individuals who can no longer fully take it to businesses that can. Employers are worried about compliance costs, interactions with union contracts, complexity across state lines and the difficulty of explaining to workers how a plan that might lead to smaller pay raises still puts more money in their pockets.

"It's a creative approach by the governor's office, and I give them credit for thinking through issues," said Peter Faber, a tax lawyer at McDermott Will & Emery LLP in New York who advises large corporations. "As my clients consider the practical realities of implementing the scheme, they are concerned."

The Wall Street Journal asked the 10 largest private employers in the state and in New York City, along with all

Fortune 100 companies based in New York state, whether they would opt for the new payroll tax. None that responded said they would do so, though they have until Dec. 1 to make a decision for 2019.

The state and New York City are still determining whether to use the new payroll tax for their own employees.

That caution is an indication that some of the most imaginative ways of working around the new tax law's restrictions may be tricky to implement on a large scale.

The new payroll tax is part of the state's response to last year's federal tax law, which capped at \$10,000 the amount of state and local tax payments that individuals could deduct from income on their federal tax forms.

In part because of the new federal cap, 8.3% of New York households will get a federal tax increase in 2018 averaging \$3,340, compared with 6.3% nationally, according to the Tax Policy Center, a Washington group led by an Obama administration official.

New York acted faster than other high-tax states. The law that included the payroll tax also has a separate workaround for the deduction cap. It would let New Yorkers get tax credits

More for Less?

How a lower salary could leave a New York resident with more money under the state's proposed tax strategy, for a hypothetical single filer:

CURRENT METHOD

If an employee is paid a \$100,000 salary ...

... that last \$3,000 in base salary comes with \$949.50 in federal income and payroll taxes.

She owes at least \$2,850 in state income taxes.

Source: tax experts
THE WALL STREET JOURNAL.

NEW STRATEGY

The former base salary goes down by \$3,000, but the employee is better off because she doesn't pay that \$949.50 in federal taxes ...

... and the employer has, through a new payroll tax, covered \$2,850 of her state income tax bill ...

... so she would take home \$799.50 more after-tax pay.

Individuals are now limited in doing. But there's a catch. Employers would likely recover the cost of paying the state taxes on behalf of employees by holding down their salaries.

The net effect of the tax changes would be less pretax income for workers, but lower federal taxes and more after-tax income.

The optional payroll tax starts at 1.5% of wages above \$40,000 in 2019 and rises to 5% by 2021, below the state's top individual income-tax rate. The Internal Revenue Service could challenge the novel approach, though many legal experts believe it complies with federal law. Even if the IRS doesn't challenge it, many businesses are wary.

"How do you articulate that somebody in New York is getting a smaller raise than someone in Florida who is doing the same job?" said David Pope, a tax lawyer at the law firm Baker McKenzie. "It becomes very complex very quickly."

Pretax income, what people think of as their salary, is important. It determines future Social Security benefits and can affect 401(k) matching contributions, employees' share of health-care premiums and the starting point for job negotiations.



Arizona teachers won a 20% raise by 2020 and a \$371 million increase in education funding.

In Arizona, Teachers to Return To Schools After Muted Victory

BY TAWNELL D. HOBBS

Arizona teachers are expected to return to school Friday, ending a six-day strike that shut down schools, after Gov. Doug Ducey signed legislation that meets some of their demands.

Teachers wanted a 20% pay increase for themselves and support staff, such as librarians and counselors, among other requests. The plan approved Thursday grants the 20% raise to teachers by 2020,

but some teacher association leaders are upset that it doesn't include the support employees.

The bill also boosts education funding by \$371 million over five years to restore money cut during the recession—far short of the \$1 billion requested by the teachers.

"Even though the economy has recovered, they're refusing to give us the restoration of our yearly funding," said Ralph Quintana, president of the Arizona American Federa-

tion of Teachers. "It's a step in the right direction, but it's not going to fix the problem."

Mr. Ducey, a Republican, lauded the budget. "This is a real win for our teachers, for our kids, for our educators in the classroom," he said. "It's a good way to start the day."

Parents had scrambled to find arrangements for their children during the walkout, which affected at least 800,000 students in school districts that closed because of staffing shortages.



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U.S. NEWS

Remarks on Payment Raise Legal Issues

Former top elections officials say Giuliani and Trump intensified focus on president

BY JULIE BYKOWICZ
AND JOE PALAZZOLO

New comments by President Donald Trump and his lawyer Rudy Giuliani about a payment to a former adult-film star who says she had an affair with Mr. Trump place him at the center of questions about possible campaign-finance violations, two former Federal Election Commission leaders said.

Election-law attorneys say the comments don't alter the core legal question: Whether the 2016 payment of \$130,000 to Stephanie Clifford, known as Stormy Daniels, was related primarily to the election just weeks away, or rather to reputational issues that would have occurred even without Mr. Trump's candidacy.

On Wednesday, Mr. Giuliani said the payment Mr. Trump's lawyer Michael Cohen made to Ms. Clifford—12 days before the election—violated no laws because it was part of Mr. Cohen's routine legal work for Mr. Trump and because Mr. Trump reimbursed Mr. Cohen.

Mr. Trump followed up with a series of tweets Thursday acknowledging the payment and saying it was intended "to stop the false and extortionist accusations made by her about an affair." In return for the payment, Ms. Clifford signed a nondisclosure agreement that barred her from discussing an alleged sexual encounter with Mr. Trump in 2006.

The \$130,000 payment exceeds the \$5,400-per-election-cycle donation limit for individuals, though candidates lending or donating money to their own campaigns aren't subject to the cap. Still, campaigns have to report loans and contributions made for the purposes of influencing the election.

Mr. Trump's own lawyer, Mr. Giuliani, seemed to suggest that the arrangement to keep Ms. Clifford quiet was intended to protect Mr. Trump's campaign. "Imagine if that came out on October 15, 2016, in the middle of the last debate with Hillary Clinton," Mr. Giuliani said in an interview on Fox News' "Fox & Friends" Thursday morning.

But showing a payment was made to help a candidate instead of saving him from public embarrassment is a fact-intensive inquiry that will depend on what evidence federal agents have collected, legal experts said.

Until Wednesday night, Mr. Trump had denied all knowledge of the payment to Ms. Clifford, referring questions to Mr. Cohen.

Last month, federal agents raided Mr. Cohen's home, hotel room and office. He is under investigation by the Manhattan U.S. attorney's office for possible campaign-finance and money-laundering violations related to the payment to Ms. Clifford, as well as other matters, The Wall Street Journal has previously reported. Mr. Cohen has denied wrongdoing.

Mr. Trump's efforts to distance himself from the payment shrank with Mr. Giuliani's Wednesday interview on Fox News, and Mr. Trump's



Former porn star Stormy Daniels was paid \$130,000 in 2016 over an alleged affair with Mr. Trump.

DREW ANGERER/GETTY IMAGES

own follow-up tweets, legal experts said.

"Trump's admission that he later repaid Cohen for the hush money destroys any argument Cohen could have made that the payment was out of his own money as an independent expenditure," said

Trevor Potter, a Republican former FEC chairman.

Ann Ravel, a Democratic former FEC chairwoman, said the changing series of statements about the matter "make the payment even more worthy of suspicion."

Charlie Spies, a GOP elec-

tion lawyer, expressed doubt that the payment was related to the campaign, and thus subject to federal disclosure rules.

"Mayor Giuliani's revelation has no relevance to the election-law legal analysis," said Mr. Spies.

"In fact, it may support the

argument that Mr. Trump and the Trump Organization have a history of payments to protect reputational issues of him personally," he said.

The Federal Election Campaign Act defines campaign contributions as "anything of value" intended to influence the election, including "in-kind contributions," or goods and services provided without charge or at a discount.

An unanswered question is when Mr. Trump learned about the arrangement with Ms. Clifford. Mr. Giuliani said Mr. Trump didn't know about the payment when it was made—in the thick of the campaign. Mr. Giuliani said Mr. Trump repaid Mr. Cohen via a series of \$35,000 monthly payments that began in 2017.

But Mr. Trump would have had to report the loan if it was intended to sway the election, even if he first learned of it afterward, said Jessica Levinson, a professor at Loyola Law School in Los Angeles who specializes in election law.

Mr. Trump could be in greater peril if he knew about the payment to Ms. Clifford contemporaneously and asked his attorney to front the money to avoid leaving his own fingerprints on the deal, she said. That could give rise to a charge of conspiring to violate the reporting requirements of the Federal Election Campaign Act.

Richard Hasen, a law and political science professor at University of California, Irvine, wrote in Slate on Thursday that records gathered in the Federal Bureau of Investigation raids of Mr. Cohen could show whether he intended to help Mr. Trump's campaign.

Who Paid and Who Knew? The Saga Behind the \$130,000

Jan. 12

The Wall Street Journal publishes an article saying that Michael Cohen, a lawyer for President Donald Trump, arranged a \$130,000 payment to Stephanie Clifford, a porn star who goes by Stormy Daniels, to preclude her from publicly disclosing an alleged 2006 sexual encounter. Mr. Cohen doesn't address the \$130,000 but says Mr. Trump vehemently denies any such occurrence. Mr. Cohen releases a statement, signed by "Stormy Daniels," denying a sexual and/or romantic affair with Mr. Trump or receiving hush money from Mr. Trump.

Feb. 13

Mr. Cohen says he "facilitated" the payment to Ms. Clifford out of his personal funds. "Neither the Trump Organization nor the Trump campaign was a party to the transaction with Ms. Clifford,



Asked about the payment on Air Force One in April, Donald Trump said to 'ask Michael Cohen,' right.

EVAN VUCCI/ASSOCIATED PRESS/LUCAS JACKSON/REUTERS

and neither reimbursed me for the payment, either directly or indirectly," Mr. Cohen said in a statement. He doesn't address whether Mr. Trump reimbursed him directly.

March 5
The Journal reports that

Mr. Cohen wired the payment to Ms. Clifford on Oct. 27, 2016, and that Mr. Cohen missed two deadlines that month to make the payment because he couldn't reach Mr. Trump in the final days of the presidential campaign, citing a person familiar with

the matter. After the election, Mr. Cohen complained to friends that he had yet to be reimbursed for the payment to Ms. Clifford, people familiar with the matter told the Journal. Mr. Cohen's comment to the Journal was: "Fake News."

April 5
Mr. Trump, with reporters on Air Force One, denies knowing about the \$130,000 payment made to Ms. Clifford. Asked why his attorney, Mr. Cohen, had made the payment, the president responds: "You'll have to ask Michael Cohen. Michael is my attorney." Mr. Trump also says he didn't know where the money for the payment had come from.

April 26

Mr. Trump, in an interview with Fox News, says that Mr. Cohen has done "a tiny, tiny little fraction" of his legal work, including "this crazy Stormy Daniels deal he represented me on."

May 2

Rudy Giuliani, newly hired as a lawyer for Mr. Trump, says on Fox News in an interview with Sean Hannity that the president reimbursed Mr.

Cohen for the \$130,000 payment to Ms. Clifford. Mr. Giuliani says the agreement was made to "stop the false and extortionist accusations made by her about an affair." Mr. Giuliani says the president had reimbursed Mr. Cohen in monthly installments of \$35,000 throughout 2017, and that the payments were perfectly legal. "It's not campaign money. No campaign finance violation."

May 3

Mr. Trump tweets: "Mr. Cohen, an attorney, received a monthly retainer, not from the campaign and having nothing to do with the campaign, from which he entered into, through reimbursement, a private contract between two parties, known as a non-disclosure agreement, or NDA." He continues: "These agreements are very common among celebrities and people of wealth."

nouncement, Mr. Giuliani dined that same evening with Corey Lewandowski, the president's former campaign manager, who has been in increasing contact with Mr. Trump in recent months.

Mr. Lewandowski is one of a handful of the president's associates who have recently been granted the ability to call Mr. Trump directly, rather than being routed through the switchboard, according to an administration official—a new protocol that White House chief of staff John Kelly put in place when he started last summer.

Mr. Trump added Mr. Giuliani to his legal team because he wanted a stronger TV presence who could adopt a more aggressive approach to the Mueller investigation, according to people familiar with the decision.

Some viewed Mr. Giuliani's TV blitz—in which he not only revealed the reimbursement but also described Jared Kushner, the president's son-in-law, as "disposable," and said North Korea planned to release three U.S. prisoners on Thursday—as the lawyer simply easing into his role.

David Bossie, a former Trump campaign aide who is close to the White House, said of Mr. Giuliani: "You get a lot of different value added with Rudy Giuliani. You get his legal and intellectual abilities, but you also get his media savvy."

—Louise Radnofsky and Joshua Jamerson contributed to this article.

TRUMP

Continued from Page One
tions. Mr. Trump's reimbursement of his lawyer for the payment could violate election law, since Mr. Cohen likely would have been required to report the funds he spent upfront as an in-kind donation, if investigators determine the payment was made to help Mr. Trump win the election. Mr. Giuliani on Wednesday suggested it was.

Mr. Giuliani's comments departed from the more measured remarks previously made by the president's legal team. They have spent months trying to draw a distinction—and a hard line—between the Russia probe and the more salacious Stormy Daniels scandal that has largely swirled around Mr. Cohen. In his comments, Mr. Giuliani conflated them.

Mr. Giuliani said in a Wall Street Journal interview Wednesday that the president had expressly authorized the disclosure and was "very pleased" with how the Fox News interview had gone.

Mr. Trump, in a series of early morning tweets Thursday, confirmed that Mr. Cohen had been reimbursed for his payment to Ms. Clifford, though he didn't say explicitly who had reimbursed him. The president said the agreement with Ms. Clifford was made "to stop the false and extortionist accusations made by her about an affair."

The disclosure comes at a tense time for the investigations into whether Trump associates colluded with Russia—which both the president and Moscow deny—and into whether Mr. Cohen committed bank fraud or campaign-finance violations, which he has denied.

The president and his lawyers have attacked the investigations in recent weeks, and Mr. Giuliani in a Journal interview referred to a potential sit-down between Mr. Trump and special counsel Robert Mueller as a "bulls—interview that should never be taking place."

Several White House aides didn't learn that Mr. Giuliani planned to speak to Fox News until he was live on the air. One official said the interview

dent Mike Pence.

"As president I will always protect religious liberty," Mr. Trump said. The White House said 200 faith leaders were in attendance.

Mr. Trump has had broad support among social conservatives and evangelical Christians, winning these voters in 2016 despite concerns about his past positions on social issues and accusations of sexual misconduct. That support has remained firm during his presidency amid enthusiasm over such moves as his pick of Neil Gorsuch for the Supreme Court and his recognition of Jerusalem as Israel's capital.

—Louise Radnofsky

left the West Wing "completely frozen."

Mr. Trump last month denied any knowledge of the payment to Ms. Clifford, telling reporters aboard Air Force One that he was unaware of it or of where the money came from.

The White House on Thursday sought to explain that denial by saying Mr. Trump wasn't aware at the time that he had reimbursed Mr. Cohen. Mr. Giuliani said the president first realized he had reimbursed his lawyer—through a monthly retainer starting in 2017—last week when they discussed the payment, which the Journal first reported in January.

While some White House officials were kept out of the loop on Wednesday's an-

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U.S. NEWS



Senate candidate Don Blankenship, far left, once ran Massey Energy, the operator of a coal mine where 29 people died in a 2010 explosion.

West Virginia Bid Loses Momentum

BY SIOBHAN HUGHES
AND KRIS MAHER

MORGANTOWN, W.Va.—Don Blankenship, a former West Virginia coal executive who served a year in prison for a mine-safety conviction, lost momentum in his U.S. Senate bid when a Washington-based Republican group recently moved to block his candidacy.

But he isn't going down without a fight in Tuesday's GOP primary. Mr. Blankenship is making a last stand in debates and digital and television ads covering the state, where he once ran Massey Energy Co., the operator of a coal mine where 29 people died in a 2010 explosion.

His leading opponents are Rep. Evan Jenkins (R., W.Va.), a former Democrat and one-time state legislator, and state Attorney General Patrick Morrisey, who have edged ahead in polls. A Fox News poll taken between April 18 and April 22 put Mr. Jenkins in the lead with 25% of likely GOP primary voters, followed by Mr. Morrisey, with 21%, and Mr. Blankenship, with 16%. Three other GOP contenders were below 10%.

Republican Party officials see both of Mr. Blankenship's leading primary opponents as better candidates to take on Sen. Joe Manchin (D., W.Va.) and possibly expand by one

their 51-49 Senate majority. President Donald Trump won West Virginia by 42 percentage points—the biggest margin of any of the 10 states where Senate Democrats are now defending their own seats.

Senate Majority Leader Mitch McConnell (R., Ky.), asked about the West Virginia primary recently, said, "We will wait to see who the nominee is and get behind a Republican candidate."

Former coal executive Don Blankenship is vying for a U.S. Senate seat.

And hopefully it will be one who is actually electable."

But Mr. Blankenship is convinced that Mr. Trump's victory is a sign that his own outsider candidacy has a shot.

"We are probably a whole lot closer now than people think because of the hidden vote and because of the fact that there will be a lot of people that turn out that aren't in the polls, sort of like the Trump thing," Mr. Blankenship said in a Monday interview outside of Charleston, where he was the only one of the three major contenders to

show up for a candidate forum at West Virginia State University. He was referring to a detail in the Fox News poll that showed 7% of respondents didn't favor any of the six candidates and 24% were undecided.

Mr. Blankenship's primary residence is in Nevada, where he moved after being indicted several years ago, and he is campaigning in West Virginia on supervised release. His one-year probation ends the day after the primary. Mr. Blankenship's assertion that the mine disaster was caused by federal mine-safety regulators and covered up by the Justice Department has resonated with some voters here.

"They set him up to get killed—I don't believe he is guilty of killing anybody," said Kathy Parker, a 52-year-old business owner from Mingo County, where Mr. Blankenship owns a home, who showed up to root for him at a Tuesday debate.

She isn't alone in agreeing that his prosecution was politically motivated. "We don't put people in jail for a year for a misdemeanor," said Lou Hamrick, 84, who owns a mining-equipment company in Morgantown and said he would vote for Mr. Blankenship.

Mr. Blankenship's candidacy was surging until a group called Mountain Families PAC, which is associated with Mr. McConnell,

and isn't required to disclose donors until after the primary, began spending money last month on ads pummeling the former chief executive.

In three of the past four weeks, the group has outspent Mr. Blankenship's campaign on TV, according to Kantar Media/CMAG data. In all, Mountain Families PAC has spent about \$1.3 million on ads attacking him. One 30-second spot says the candidate's company pumped "toxic coal slurry" into local drinking water. The narrator asks, "Isn't there enough toxic sludge in Washington?"

The ad refers to a lawsuit filed by residents in Mingo County who alleged their drinking water was contaminated by coal waste injected underground by Massey when Mr. Blankenship was an executive. A company that bought Massey settled the suit in 2011 without admitting wrongdoing.

Some voters say Mr. Blankenship is tainted. Renee Jones-Wagner, a 63-year-old from Berkeley County, said she supports Mr. Morrisey because he is an antiabortion advocate and took a stance against allowing transgender people in public school to use the bathroom corresponding with the sex with which they identify.

—Julie Bykowicz contributed to this article.

Ryan Reverses, Asks Chaplain to Remain in Post

BY BYRON TAU

WASHINGTON—House Speaker Paul Ryan said Thursday that the chamber's chaplain will remain in his post and he will no longer seek his resignation, after the chaplain publicly questioned why he was being asked to step aside and reversed his earlier decision to quit.

Mr. Ryan's decision could defuse growing tensions over the chaplain's fate. The news of the Rev. Patrick Conroy's resignation last month roiled the House, with many lawmakers pressing for an explanation about why he was asked to resign by Mr. Ryan.

Mr. Ryan's shift came after Father Conroy said in a letter to Mr. Ryan that a top aide to the speaker said he should leave in part because of a prayer about the Republican tax law and because of his Catholic faith.

Father Conroy, a Jesuit priest, in his letter Thursday rescinded his resignation, essentially telling the speaker that if he wanted him to leave his post he would have to fire him. He also said that the aide, Mr. Ryan's chief of staff Jonathan Burks, in April told him

the ad refers to a lawsuit filed by residents in Mingo County who alleged their drinking water was contaminated by coal waste injected underground by Massey when Mr. Blankenship was an executive. A company that bought Massey settled the suit in 2011 without admitting wrongdoing.

Some voters say Mr. Blankenship is tainted. Renee Jones-Wagner, a 63-year-old from Berkeley County, said she supports Mr. Morrisey because he is an antiabortion advocate and took a stance against allowing transgender people in public school to use the bathroom corresponding with the sex with which they identify.

—Julie Bykowicz contributed to this article.

he was being replaced in favor of a non-Catholic and because of comments he had made in a prayer and to the media.

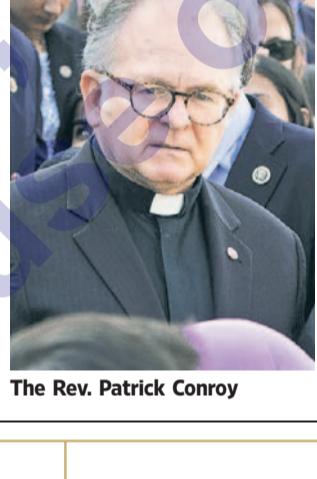
"I inquired as to whether or not it was 'for cause' and Mr. Burks mentioned dismissively something like 'maybe it's time we had a chaplain that wasn't a Catholic,'" Father Conroy recounted in the letter. Mr. Burks "also mentioned my November prayer and an interview with the National Journal Daily," Father Conroy added in the letter.

Mr. Burks disputed that characterization of the conversation. "I strongly disagree with Father Conroy's recollection of our conversation. I am disappointed by the misunderstanding, but wish him the best as he continues to serve the House."

In his statement, Mr. Ryan said his decision to ask for Father Conroy's resignation was "based on my duty to ensure that the House has the kind of pastoral services that it deserves." But, he added, "It is my job as speaker to do what is best for this body, and I know that this body is not well served by a protracted fight over such an important post."

In the morning prayer on Nov. 6, Father Conroy had asked that lawmakers' "efforts these days guarantee that there are not winners and losers under new tax laws, but benefits balanced and shared by all Americans" as the Republican-led Congress was debating tax legislation that would ultimately be passed into law in December.

In the interview with the National Journal, Father Conroy discussed several controversial issues, including workplace sexual assault and harassment on Capitol Hill as well as anti-Catholic prejudice in Congress.



The Rev. Patrick Conroy

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Barbara Hepworth, detail of Maquette for Dual Form
Image courtesy of Richard Green, London



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WORLD NEWS

U.S. Tariff Threats Split France, Germany

Berlin backs minideal on trade, while Paris takes hard line, fearing broader demands

The European Union's leading members are at loggerheads over how to react to Washington's tariff threats, with Germany urging conciliation and France advocating a harder line, senior officials said.

*By Bojan Pancevski
in Berlin and William Horobin in Paris*

Germany, whose export-led economy would have much to lose in a trade conflict, wants to offer President Donald Trump what officials call a mini trade deal, including lower import tariffs for U.S. cars. France is opposed, however, fearing Mr. Trump would see the move as a sign of weakness and raise his demands.

Until now, EU capitals have maintained unity against Mr. Trump's criticism of U.S. trade deficits with individual EU nations, notably Germany.

The deadlock is such that the talks have now become entangled with separate negotiations over a proposed overhaul of the eurozone, with



Porsche cars destined for export were lined up at the port in Bremerhaven, Germany, in March.

German officials saying Paris is pressuring them to offer concessions on the latter in exchange for progress on trade, something Paris denies.

Mr. Trump has extended a deadline to June 1 for the EU, which handles trade negotiations for all of its members, to respond to his threat to levy punitive steel and aluminum tariffs. The EU has vowed to

respond with countermeasures, including upping tariffs for U.S. product groups such as jeans and whiskey, which could trigger a tit-for-tat conflict leading to higher tariffs that Berlin fears could ensnare the country's flagship car industry.

German Economics Minister Peter Altmaier said EU countries had to first reach an agreement among themselves before

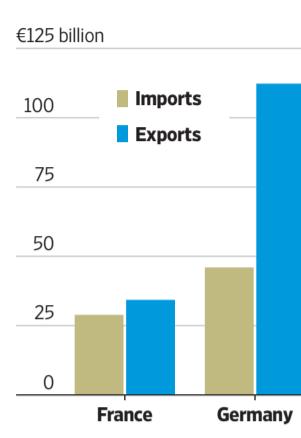
starting a negotiation with the U.S. over what he described as a much simpler version of the failed Transatlantic Trade and Investment Partnership, or TTIP.

"There should be a possibility of fair agreement that will be much less ambitious and complicated and much narrower in scope [than TTIP]....We need to provide a safe, reliable and predictable framework for com-

More to Lose

Germany's large trade surplus with the U.S. makes it more eager than France to resolve a trade spat with Washington.

Trade with the U.S. in 2017



He added that Paris had linked the discussion on trade with talks about shoring up the EU's common currency, where Berlin has so far adopted an uncompromising position and rejected most of France's suggestions. French President Emmanuel Macron's proposals include more risk-sharing and substantial common investment, anathema in Berlin due to fears that the country would end up footing the bill for less fiscally solid members.

A French official said Paris was treating the issues separately, adding, "It's very different and too important to trade one thing for another."

French officials say there are technical barriers to a minideal as trade talks under WTO rules would have to apply to a wide range of sectors. "It's clear we don't want a TTIP-light," he said.

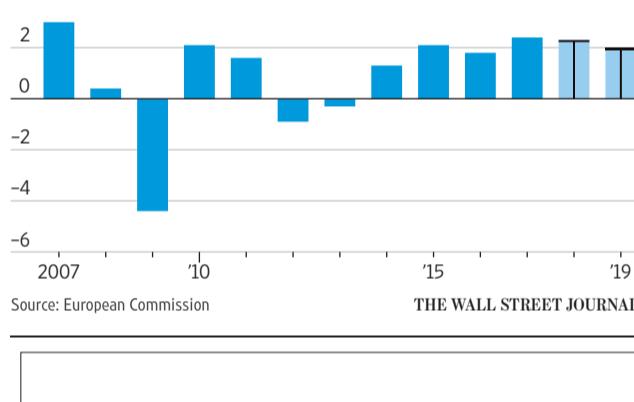
Ms. Merkel and Mr. Macron will discuss the matter at an EU summit this month, several officials confirmed.

So far, European officials say a majority of member states and the European Commission, the EU's executive body, are leaning toward the French line and against Germany's more-accommodating stance.

—Emre Peker in Brussels contributed to this article.

Growth Path

Economic growth is taking hold in the eurozone, but protectionist U.S. policies threaten to curb the recovery.



Trump's Trade Policies Weigh on 'Euroboom'

BY EMRE PEKER

BRUSSELS—The European Union unveiled an upbeat economic outlook for the eurozone, but warned of rising risks from President Donald Trump's protectionist trade policies and of the U.S. economy overheating.

As the currency union enjoys its strongest growth in a decade after years of crisis, the EU's potential trade war with the U.S. over steel and aluminum tariffs is weighing on what some officials and an-

alysts have called the "euroboom."

U.S. trade policies pose an "unambiguously negative risk" to the global economy that threaten the eurozone's five-year expansion, the EU's executive—the European Commission—said on Thursday. EU officials are racing against a June 1 deadline to clinch permanent exemptions from Mr. Trump's tariffs of 25% on steel and 10% on aluminum imports, with no quick and clear path for an agreement.

Gross domestic product in

the 19-member eurozone is set to grow by 2.3% in 2018, easing to 2% expansion next year, the EU said in its quarterly report, in line with earlier forecasts. The economy grew by 2.4% in 2017.

"The biggest risk to this rosy outlook is protectionism, which must not become the new normal," said Pierre Moscovici, EU commissioner for economic and financial affairs, taxation and customs.

Another threat stems from the president's stimulus measures, including tax cuts,

which could result in a faster pace of interest-rate increases by the Federal Reserve if the U.S. economy overheats, the EU said.

Fed Chairman Jerome Powell said in April that gradual rate increases will help the U.S. economy grow without overheating, as some of his deputies warned of the risk.

That, along with Mr. Trump's trade measures, could contribute to financial-market volatility, which is "likely to become a more permanent feature," Mr. Moscovici said.

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WORLD NEWS

U.S., China Start Trade Talks Seen As Tough, Long

BY LINGLING WEI

BEIJING—Trade negotiators from the U.S. and China are digging in for the first round of what they expect to be recurring, difficult talks that don't produce an immediate settlement.

Beijing is bracing for lengthy sparring with Washington, though Chinese officials said that in recent weeks they had tried to get the relationship with the U.S. back on track, pointing to a recent acceleration of plans to give foreign investors greater access to the financial-services and auto sectors.

"China has shown goodwill and there is still room for negotiation," a senior government official said. "We need to understand each other's intentions first, and we need to sit down and talk."

U.S. Trade Representative Robert Lighthizer, Treasury Secretary Steven Mnuchin and other senior Trump administration officials opened the discussions Thursday afternoon with Chinese negotiators. Neither side commented substantively on the talks, with the first round scheduled to end on Friday.

Mr. Lighthizer laid out a long time frame in remarks

before jetting off to Beijing. "We're going to spend the next year developing how we deal with each other," he said on Tuesday in Washington. "Over a period of time, you end up knowing how to deal" with the problems dividing the two nations, he said.

A Chinese government spokesman said ahead of the U.S. team's arrival that Beijing is prepared should a protracted trade fight ensue.

There are a number of reasons for tamped-down expectations from the talks. First, both sides are far apart on significant issues, especially how to deal with Beijing initiatives that Washington says favor state-owned Chinese companies at the expense of American businesses. Second, the U.S. hasn't put together its bottom-line expectations for China to head off tariffs and other restrictions threatened by the administration.

Both governments have different views of their disputes. For the U.S., the chief issue is the direction of Chinese industrial policy. The U.S. complains that the government is taking a bigger role in Chinese companies, aiding them with financial and other subsidies and forcing



U.S. Treasury Secretary Steven Mnuchin, center, in Beijing on Thursday, is looking for a fast resolution of trade tensions with China.

U.S. companies to give up important technology to get access to the giant Chinese market.

Chinese officials respond that U.S. companies willingly enter into contracts with Chinese firms and deny they are giving domestic firms an unfair advantage.

The trip by a bevy of senior U.S. officials—the contingent also includes National Economic Council Director Larry

Kudlow, White House trade adviser Peter Navarro and Commerce Secretary Wilbur Ross, among others—was approved by President Donald Trump to see if Beijing is willing to make significant changes in policy.

Messrs. Lighthizer and Navarro favor a tough, broad-based approach to China and the use of tariffs as leverage, while Messrs. Mnuchin and Kudlow are looking for a

faster resolution of the market-rattling conflict, according to people tracking the negotiations. Mr. Mnuchin is in charge of negotiations on financial services, which are much closer to resolution than other issues, they said.

The size of the U.S. delegation and the divisions make quick resolutions more difficult. Should all of the U.S. members talk at the meetings

and listen to responses from Chinese officials of similar rank, through translation, the talks, at the government's Diaoyutai guesthouse complex, could drag on for hours.

"Negotiating by committee is awfully hard," said Stefan Selig, the top international economic official in the Obama Commerce Department.

—Bob Davis in Washington contributed to this article.

Beijing: Kim Spoke Of Plans To Disarm

BY CHUN HAN WONG

BEIJING—North Korean leader Kim Jong Un reiterated a commitment to denuclearize the Korean Peninsula at a meeting with a senior Chinese envoy in Pyongyang, China's Foreign Ministry said.

At their Thursday meeting, Mr. Kim told Chinese Foreign Minister Wang Yi that "realizing the denuclearization of the peninsula is North Korea's firm stance," the ministry said.

Mr. Kim's reported remarks echo assurances he made to South Korean President Moon Jae-in in their summit last week and to Chinese President Xi Jinping in their meeting in Beijing in March, according to Seoul's and Beijing's official accounts of those conversations.

Pyongyang and North Korean state media haven't directly quoted Mr. Kim as making a commitment to denuclearize.

North Korea's willingness to discuss denuclearization is a focal concern for Washington in its talks with Pyongyang over a planned summit between Mr. Kim and U.S. President Donald Trump. The absence of such a pledge by Mr. Kim in official North Korean accounts of his summits with South Korean and Chinese leaders has raised doubts among some officials and analysts.

Pyongyang's official Korean Central News Agency has published the joint declaration signed last week by Messrs. Kim and Moon stating that their governments shared the goal of "realizing, through complete denuclearization, a nuclear-free Korean Peninsula." KCNA also reported that the two Korean leaders discussed the "denuclearization of the peninsula" during their summit.

On Thursday, Mr. Wang told Mr. Kim that Beijing supports the two Koreas' joint plan to formally end hostilities, as well as North Korea's efforts to safeguard its own security while advancing the denuclearization process, the ministry said.

Pyongyang to Free U.S. Prisoners, Giuliani Says

BY MICHAEL C. BENDER AND JESSICA DONATI

WASHINGTON—President Donald Trump's attorney Rudy Giuliani said North Korean leader Kim Jong Un agreed to release three detained U.S. citizens, but the White House cautioned that no deal had been finalized and declined to discuss negotiations for the prisoners.

"We can't confirm the validity of any of the reports currently out about their release," White House press secretary Sarah Sanders said on Thursday. "But we certainly would see this as a sign of good will if North Korea were to release the three Americans ahead of discussions with President Trump and Kim Jong Un."

Another White House official said no deal has been fi-

nalized on the release of the three detainees.

Mr. Giuliani raised expectations earlier Thursday when he said in an interview on Fox News that the president had reached an agreement to release the U.S. citizens.

"We got Kim Jong Un impressed enough to be releasing three prisoners today," Mr. Giuliani said. He didn't respond to requests to comment.

Mr. Kim gave assurances to Secretary of State Mike Pompeo that the release of the detainees could be paired with a summit with Mr. Trump, The Wall Street Journal reported on April 20. Mr. Trump signaled on Twitter late Wednesday that there would be news soon. He said the previous administration hadn't been able to free the "three hostages," adding: "Stay tuned!"

Two of the detainees were



People in Seoul watching a TV report on the three U.S. detainees.

taken into custody since Mr. Trump has been president.

The release of detained U.S. citizens would add to a rapid diplomatic advance that began before the Winter Olympics in South Korea with a thaw between Seoul and Pyongyang.

After the Games and assurances from Mr. Kim that he was open to talks on "denuclearization," Mr. Trump agreed in March to the North Korean leader's proposal for a summit, which is expected to be held by mid-June.

North Korea's longest-held American prisoner is businessman Kim Dong-chul, who was detained in 2015. The 62-year-old Virginia resident was convicted of obtaining classified documents about North Korea's nuclear and military plans and sentenced in 2016 to 10 years of hard labor.

In April 2017, the North's state-controlled Korean Central News Agency reported the arrest of an American professor named Kim Sang-duk, or Tony Kim. Mr. Kim had been teaching a class at the Pyongyang University of Science and Technology, which was founded by a Christian Korean-American businessman.

The news agency confirmed the detention of a third American, Kim Hak-song, in May 2017. He also worked at the Pyongyang University of Science and Technology.

LASER

Continued from Page One

The laser incidents prompted U.S. officials to complain to the Chinese and to request an explanation. Chinese officials said they are looking into the matter, U.S. officials said.

Neither the Chinese Embassy in Washington nor China's Defense Ministry responded to a request to comment. Chinese officials in the past have complained about foreign military reconnaissance planes flying over China's Djibouti outpost, people familiar with the matter said.

The new signs of military tension also come as U.S.-China economic relations have sunk to their lowest point in decades. President Donald Trump says he considers Chinese counterpart Xi Jinping a friend, but has imposed tariffs on some Chinese goods and is threatening tariffs on \$150 billion more, while his administration has imposed new restrictions on U.S. technology exports to China.

There have been four incidents over the past several weeks at Djibouti, military officials said. Three involved the use of a military-grade laser that appeared to be coming from or near a logistics area of the Chinese base, those officials said. A fourth incident, as recently as two weeks ago, didn't employ a military-grade device and appeared to come from a different location, but officials declined to specify where.

In one of the most recent incidents, two American service members piloting a C-130 turboprop experienced minor eye injuries after being exposed to the laser beam, a Pentagon official said. The pilots experienced dizziness and seeing "rings," the official said, and are now recovering.

Military officials also con-

firmed that there have been an undisclosed number of incidents involving lasers within U.S. Pacific Command, which encompasses the Pacific and Asia, where the U.S. and Chinese militaries have frequent encounters. But one official said those laser incidents, while under investigation, haven't been formally blamed on the Chinese.

Lasers are often used by saboteurs at commercial airports to distract or temporarily blind civilian jet pilots, typically as they are landing a plane and the potential for accidents is high, experts have said.

Devices that project laser beams have legitimate military uses, such as to help designate targets for aircraft, as target sights for hand-held weapons, or to temporarily blind advancing enemy troops in combat.

The military issued an internal notice, posted on the Federal Aviation Administration website, to warn pilots of the potential risks, referring in April to the laser used as "high-powered" and urging pi-

lots to use "extreme caution."

"The U.S. has notified airmen to exercise caution when flying in certain areas in Djibouti," said Maj. Sherry Klinkel, a Pentagon spokeswoman. "This notice was issued due to lasers be-

ing directed at U.S. aircraft on small number of separate occasions over the last few weeks."

"Lasers pointed at aircraft have the potential to cause serious harm to the aircrew and the surrounding area," she said. "Lasers directed at U.S. aircraft on small number of separate occasions over the last few weeks."

In response, aircrews have begun to use eye protection or use visors as shields against the lasers. American pilots also are checking their flight plans to ensure flight operations don't conflict with air operations by the Chinese military or other nations' militaries in the vicinity, an official said.

Officials said the laser used likely came from the Chinese base nearby. "The grade of the lasers are of military grade," Maj. Klinkel said. "The reports by the pilots were that they came from the direction of the Chinese base nearby."

Djibouti is home to a large base used by the U.S. that hosts about 4,000 American service members and the U.S. Joint Task Force-Horn of Africa at what is known as Camp Lemonnier. The base is used to conduct security force assistance and counterterrorism operations across Africa and in Yemen and for other areas within the military's U.S. Central Command area.

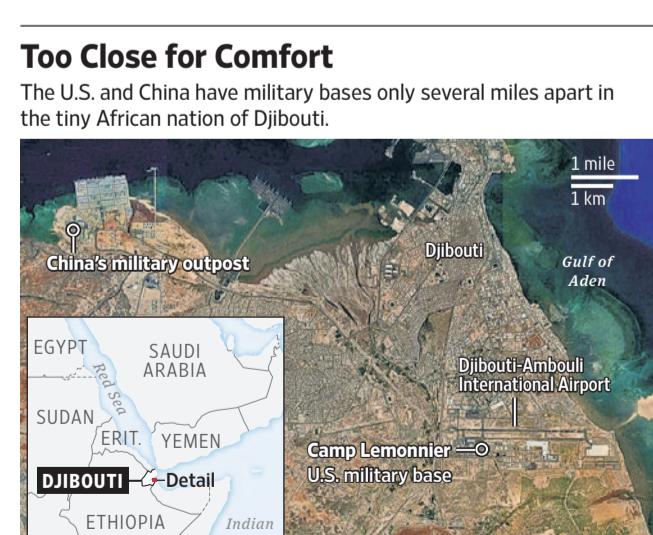
Djibouti also hosts German, Spanish, Italian and Japanese forces, mostly for antipiracy patrols. China has taken part in those patrols since 2008, and says it will use its Djibouti outpost to provide logistical support for them, as well as its peacekeeping and other operations in the region.

Some experts said the use of the laser amounted to the kind of aggression the Chinese have displayed on other occasions.

In 2014 over the South China Sea, a Chinese jet fighter pilot conducted so-called barrel rolls around an American P-8 surveillance jet. That incident led the U.S. to lodge a formal diplomatic complaint with Chinese officials and the pilot was ultimately removed from the unit, American officials said at the time. China's Defense Ministry publicly dismissed the U.S. complaint as groundless at the time.



China held its first joint maritime exercises with Djibouti last year and is building a naval outpost there.



Source: Google (image)

Too Close for Comfort

The U.S. and China have military bases only several miles apart in the tiny African nation of Djibouti.



THE WALL STREET JOURNAL.



China's Wang Yi, left, with North Korea's Ri Yong Ho

KIM WON-JIN/AGENCE FRANCE PRESSE/GETTY IMAGES

WORLD NEWS

Hezbollah Faces Rising Ill Will in Lebanon

Sending troops to aid Syrian regime rankles voters in Bekaa Valley who want more jobs

BY SUNE ENGEL RASMUSSEN
AND NAZIH OSSEIRAN

BRITAL, Lebanon—Hezbollah has expanded its regional clout by recruiting thousands of young men from Lebanon's Bekaa Valley to fight in Syria. But the war next door is producing a tide of discontent at home for the Lebanese militia and political group ahead of elections on Sunday.

Critics point to Hezbollah's failures to produce much-needed economic progress in its Shiite heartland and complain about the dominant influence Iran wields through it in Lebanon.

"Hezbollah is now part of Iran. It is not good for Lebanon, or for Shias," said Sheikh Abbas Jawhari, an influential Shiite cleric campaigning against Hezbollah for a civil-society electoral group called Dignity and Development.

Mr. Jawhari, who joined Hezbollah in the 1980s at age 16 but later grew disillusioned, is among the critical clerics, former fighters and families of fallen militiamen who have emerged as the group's ad hoc opposition in an area where it has long had no discernible competition.

Few places are as important



The graves of Hezbollah fighters killed in Syria in a cemetery in Brital in Lebanon's Bekaa Valley, where a campaign poster promotes a candidate running against Hezbollah.



JACOB RUSSELL FOR THE WALL STREET JOURNAL (2)

to Hezbollah as the Bekaa, a fertile valley in northeastern Lebanon. More than 1,200 Lebanese Hezbollah fighters have been killed in Syria since 2012, according to Ali Alfoneh, a nonresident fellow at the Atlantic Council, a Washington think tank.

Some 28% of those killed came from the Baalbek-Hermel governorate in the Bekaa—the heart of the valley, with a population of 400,000—according to the Washington Institute, a research organization tracking the war in Syria.

Reflecting that heavy price, highway banners in the Bekaa

Valley express open opposition to Hezbollah candidates. "We care for the resistance, but our loyalty is to Baalbek-Hermel," one slogan read, suggesting that the local community's welfare matters more than Hezbollah's military ventures abroad.

Some staunch Hezbollah foot soldiers are among those voicing dissent.

In April, Ali Mazloum, an ex-fighter in Syria whose father died fighting Israel, published an open letter to Hezbollah leader Hassan Nasrallah, berating him for not tackling corruption within the movement. His letter drew

support on social media.

In apparent response to criticism, Hezbollah has recently shifted its message. Giving an unusual number of get-out-the-vote speeches, Mr. Nasrallah has refrained from talking about Syria much at all, focusing instead on economic concerns in Lebanon.

Hezbollah's spokesman, Mohammad Afif, said the group was looking to get more involved in Lebanon's economic policy and the fight against corruption. Hezbollah currently forms part of Lebanon's government, where it wields influence far beyond its 13 of

parliament's 128 seats.

The poverty rate in the Bekaa stands around 36%, according to the World Bank and Lebanon's Central Administration of Statistics. That doesn't include the nearly 500,000 Syrian refugees who have temporarily settled in the valley, adding pressure on the area's resources.

Despite the grass-roots discontent, a tradition of low voter turnout and strong Shiite adherence to Hezbollah means the group isn't in much political danger.

In the Bekaa Valley, Hezbollah is still widely seen as a

critical defense against border threats from Israel and the extremist group Islamic State.

Some see the group's alignment with Iran and Syrian President Bashar al-Assad as problematic, however. "Shias have a history of aligning with the oppressed, not with dictators," Mr. Jawhari said.

"We are a resistance [movement], and you don't do resistance by going to war in Syria," said a former militant whose brother died fighting Israel in the 1990s. "I will gladly go to fight Israel. But I won't send my sons to die in Syria."

Can Israel's Clash With Iran Be Contained in Syria?



MIDDLE EAST
CROSSROADS
By Yaroslav Trofimov

gime that is reluctant to retaliate militarily just as its 2015 nuclear deal with the U.S. and other world powers faces collapse.

But that doesn't mean things won't escalate in the weeks to come. There is only so much humiliation Tehran can sustain as it absorbs Israeli strikes, such as Sunday's bombing near Hama. And it's only so long that Russia—which has the capacity to shoot down Israeli planes over Syria—can remain on the sidelines.

The timing of this confrontation—triggered by Israel's decision that it won't allow the establishment of Iranian military bases and facilities threatening it on Syrian soil—is inconvenient for Tehran.

President Donald Trump faces a May 12 deadline on whether to renew the nuclear deal. Amid Israeli campaigning aiming to prove Iran's noncompliance with the agreement, Tehran is keen to retain the good will of European states that are crucial for Iran's economy, and that could prevent a re-imposition of international sanctions.

"The Iranians are wise enough to understand that

they are right now being provoked into doing something stupid so that further drastic measures against Iran would be adopted also by the Europeans," said Adnan Tabatabai, CEO of the Carpo think tank in Germany who has advised the German government on Iranian affairs. "This is why we may continue seeing some strategic patience on the side of the Iranians."

Iran's options for responding militarily are risky regardless of what happens with the nuclear deal. The most powerful weapons of Iran's regional influence are its proxies, most notably Lebanon's Hezbollah Shiite militia, with its arsenal of rockets and missiles. Israel, however, has made it clear that major attacks by these proxies could prompt it to retaliate against Iran proper.

"Israel has changed. Before, Israel would hit at Iranian proxies. Now, the attitude is: if it's an Iranian proxy, it's Iran, and Iran has to pay," said Meir Javendafar, Iran specialist at IDC Herzliya, an Israeli academic institution and think tank. "If Hezbollah starts firing its hundred thousand missiles at Tel Aviv, you should expect Israel to attack Tehran."



Israeli leader Benjamin Netanyahu spoke about Iran on Monday.

especially because of Putin's close relations with Israeli leaders, but they don't have the luxury of a more trustworthy ally in Syria."

While Russia raised the prospect of delivering the potent S-300 air-defense system to Syria after last month's U.S., French and British strikes on the Syrian regime's suspected chemical-weapons facilities, Moscow has since said that no decision on this move has been made. (Russia suspended the delivery of S-300 to Syria in 2010, at Israel's request—and it may not want the system to be tested in battle, and possibly proven ineffective, by Israel's air force.)

Russia's ambassador to Israel, Alexander Shein, highlighted Moscow's balancing act in an interview with Israel's Ynet news publication last week. While criticizing Israeli strikes in Syria, Mr. Shein also said Moscow is "concerned" with Iran's military presence there. "We do understand the reasons Israel feels obligated to carry out such actions in the first place, and it would of course be preferable if they were avoided," he said.

TAX

Continued from Page One
the S&P 500 are forecast to rise about half as fast as after-tax earnings, at 12.1%, Thomson Reuters said.

"It's clearly not just the economy" driving corporate profits, said Joseph LaVorgna, chief economist for the Americas at Natixis, a corporate and investment bank. "Change in tax policy is part of it."

Investors had anticipated big tax savings and pushed major U.S. stock indexes to record highs earlier this year. In recent weeks, gains have been more muted even as companies from Goldman Sachs Group Inc. to Apple Inc. have reported strong results.

S&P 500 revenues are expected to rise roughly on par

with the fourth quarter's 8.3% rise from a year earlier, the fastest clip since late 2011 and the seventh straight quarter of growth, Thomson Reuters data show. The figures reflect reported results—as adjusted by analysts—for about two-thirds of companies in the index, and analyst estimates for the rest.

Energy, technology and financial firms have led per-share earnings growth with gains of 30% or more, followed by companies in the materials and industrial sectors, both above 25%. Real estate has lagged behind, at 2.7% per-share earnings growth, as have consumer staples, at 13% growth.

Broader data suggest that the tax overhaul has had at best a modest impact on the economy as a whole. Gross domestic product expanded at 2.3% in the first quarter, a slower pace than at the end of 2017, as household spending cooled. But business investment was strong and the tax benefits are showing up in the quarterly results of the biggest U.S. corporations.

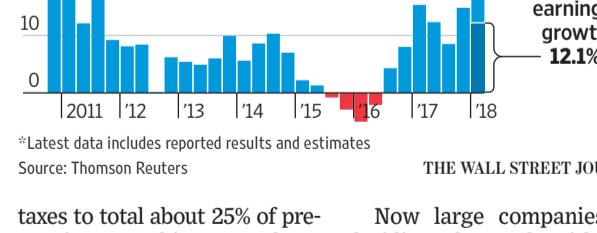
At CSX Corp., tax expenses in the first quarter were roughly flat, despite a 57% increase in pretax earnings, "illustrating the favorable impacts of tax reform," the railroad's chief financial officer, Frank Lonegro, said in a mid-April conference call with analysts. The company expects

FROM PAGE ONE

Pop in Profits

Lower tax rates are helping boost first-quarter earnings at S&P 500 firms to a seven-year high.

Year-over-year growth in per-share earnings *



*Latest data includes reported results and estimates
Source: Thomson Reuters

taxes to total about 25% of pretax income this year, down from 38% last year.

In addition to a reduced income-tax rate at home, multinational companies will benefit because they generally can now bring current and future foreign profits back for U.S. investment, dividends or share buybacks without paying an additional U.S. tax.

Many companies did face a one-time tax on the foreign profits they had accumulated over the years. In most cases, companies accounted for that and other one-time tax effects in the previous quarter, meaning that the current earnings season is the first clear picture of how companies are faring on an ongoing basis.

share buybacks in the first quarter rose by more than 50% over the fourth quarter of 2017, and by two-thirds over the first quarter of 2017, according to S&P Dow Jones Indices. Companies have also set plans to invest in expansion and new technology, and some paid one-time bonuses to employees.

For 28 S&P 500 companies, lower taxes were the difference between reporting earnings growth and an earnings decline. Those included chemical maker Monsanto Co., asset manager T. Rowe Price Group Inc. and laboratory chain Quest Diagnostics Inc.

A T. Rowe Price spokesman said the firm also recorded an increase to net revenue and near-record asset inflows. "The tax savings are also helping us accelerate investments in our strategic priorities and increase the return of capital to our stockholders," he said.

Monsanto noted that, while its lower effective tax rate was primarily a result of the tax overhaul, it also reflected other, unspecified tax effects. Quest didn't respond to a request to comment.

"More than ever, it matters to look at more than just the bottom line," said Jack Ciesielski, an accounting analyst and publisher of Analyst's Accounting Observer. "The lower tax rate could be masking deteriorating fundamentals."

WORLD WATCH

MALAYSIA Opposition Leader To Test 'News' Law

Opposition leader Mahathir Mohamad dared authorities to charge him in court under a harsh new law against "fake news" after police placed him under investigation as election campaigning heats up.

Dr. Mahathir, the country's 92-year-old former leader, is attempting to unseat his former protégé, Prime Minister Najib Razak.

On Tuesday, Dr. Mahathir said Mr. Najib's supporters were systematically sabotaging the opposition's campaign ahead of the May 9 vote. Government officials have denied the accusations.

—James Hookway

INDIA

Deadly Storm Hits North, West Regions

A powerful dust and rainstorm swept parts of northern and western India, killing at least 72 people and injuring more than 100 others, officials said. The damage was particularly severe in Agra, the northern Indian city where the Taj Mahal is located. Thirty-six people died there as the wind speed reached 80 miles an hour, said Relief Commissioner Sanjay Kumar of Uttar Pradesh state. The monument wasn't damaged.

—Associated Press

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IN DEPTH

BANK

Continued from Page One

Morgan Stanley's proprietary trading desks and shrank its bond-trading operations, the source of repeat blunders. He sold an oil-tanker fleet and a half-finished casino, remnants of the freewheeling culture that once ruled Wall Street.

He doubled down on wealth management, a steadier business. The purchase of Smith Barney, completed in his early CEO years, made Morgan Stanley the country's largest retail brokerage. Its 16,000 brokers in 600 offices from Tuscaloosa, Ala., to Tacoma, Wash., now outnumber its bankers and traders and contribute more revenue than either group. They do so without taking the kinds of risks that worry regulators and investors.

"It was a high-wire act. I wasn't naive," says Mr. Gorman, 59. "But we didn't have a choice. The path we were on was not sustainable."

Postcrisis regulations and market calm have made finance a more mundane place, and some other Wall Street heavyweights, too, are tilting away from the precrisis years toward safer, even boring, business models. Goldman Sachs is pushing into consumer banking. Citigroup Inc. pared back its aim of being a global retail bank.

Those caught on the wrong side of Mr. Gorman's changes say his lower tolerance for risk has made it harder to trade. And his style—more aloof tactician than beloved leader—symbolizes to many what's been lost on Wall Street.

Jack DiMaio, a senior trader and an old-school Wall Street star, sparred repeatedly with Mr. Gorman, warning that spartan bonus pools would cause top traders to quit, say current and former executives. Mr. DiMaio left in 2011 to start a hedge fund.

Mr. Taubman, the merger banker, left in 2012 after being passed over for a promotion and founded a boutique investment bank—one of the last provinces of Wall Street's star model.

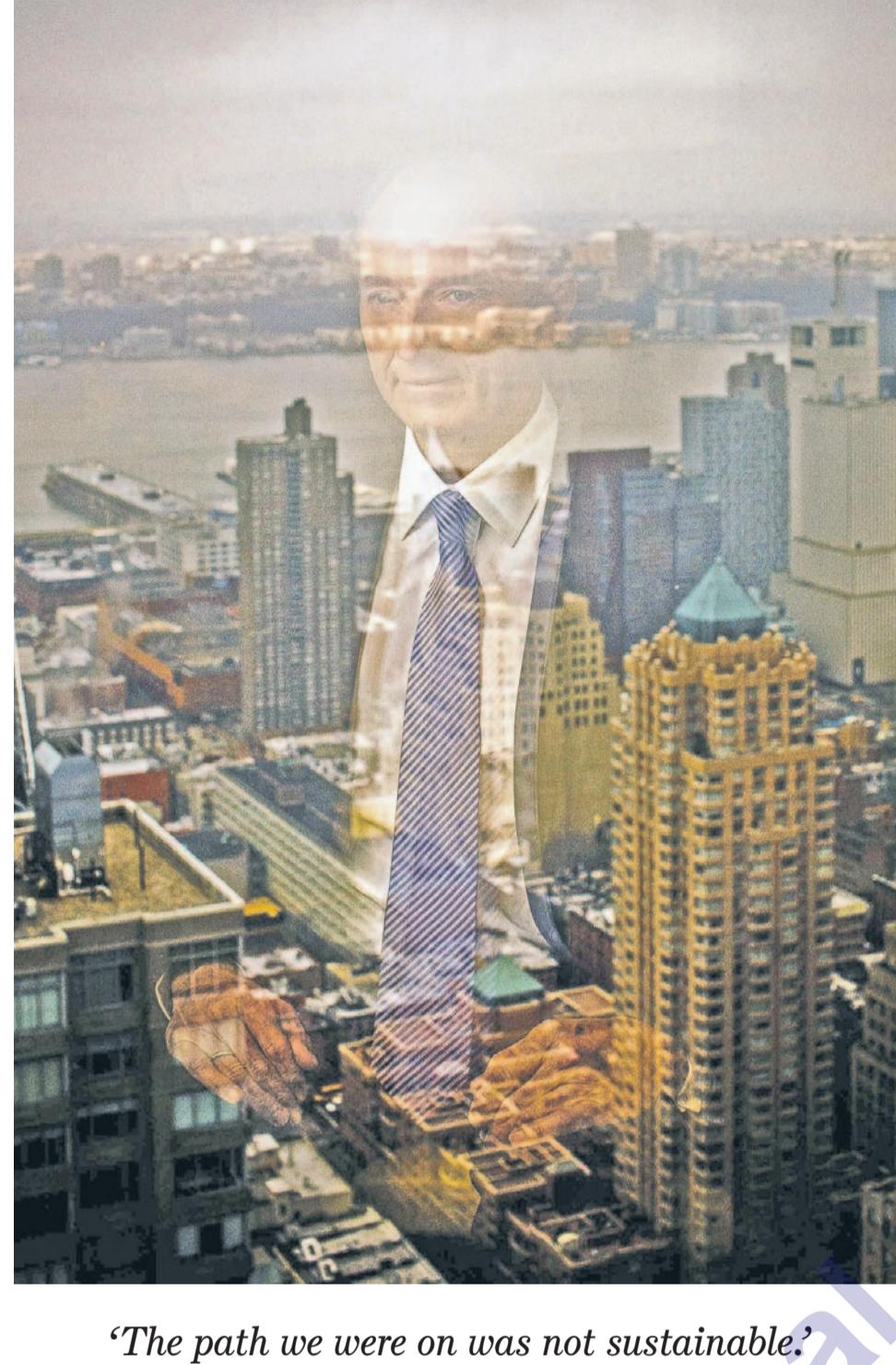
Questions linger

Questions linger over whether Morgan Stanley can sustain its rebound. The firm's return on equity, a measure of how profitably it invests shareholders' money, has struggled to crack the 10% level investors typically demand. Its wealth-management clients are aging. The long bull market that amplified fees has stalled.

Mr. Gorman has wrung the easy gains by cutting costs and cleaning up obvious problems, says Charles Peabody, an independent stock-research analyst. "The bar has been raised."

Still, Mr. Gorman says the tenor has changed in meetings with investors and managers, in which "the conversation has gone from 'can we fix this thing?' to 'what's next?'" Mr. Gorman, who is likely to remain in the job another three to five years, says that "we are talking more about the future, not just atoning for the sins of the past."

Mr. Gorman grew up in a Melbourne, Australia, suburb



MICHAEL BUCHER/THE WALL STREET JOURNAL

'The path we were on was not sustainable.'

Morgan Stanley CEO James Gorman.

with nine siblings, the son of a nurse and engineer. He avoids the New York social scene—his weekend home is in upstate New York, not the Hamptons—and oozes little of the charisma of predecessor John Mack, a back-slapping Southern bond trader.

Mr. Mack occasionally dined in the firm's cafeteria, mingling with the troops, and was a fixture at San Pietro, an Italian restaurant frequented by financiers. Mr. Gorman prefers the quiet of his office, with its wood paneling and Aboriginal art, where every evening he tallies in longhand each division's daily revenues. He keeps the loose-leaf sheets in a folder on his desk next to a list of New Year's resolutions.

"James—and you'll never hear him say 'call me Jimmy'; it's always 'James'—does not aspire to be a master of the universe," says David Rubenstein, founder of private-equity giant Carlyle Group LP.

To pay for law school, Mr. Gorman says, he cleaned dormitory bathrooms, tended bar and worked Saturdays at a brokerage firm matching trade tickets. He spent four years at an Australian law firm before enrolling in 1985 at Columbia

Business School.

He got job offers from investment banks but joined McKinsey, where he eventually landed in the financial-services group advising companies including Merrill Lynch and American Express Co. In 1999, Merrill's then-CEO, David Komansky, recruited him as head of marketing. Within two years, he was running its retail arm. Mr. Gorman helped transform

'The conversation has gone from "can we fix this thing?" to "what's next?'"

Merrill's "thundering herd" of brokers, who earned commissions selling stocks to middle America, into a force focused on managing assets and providing advice to wealthier clients.

He joined Morgan Stanley in 2006 with the same task. A disastrous 1997 merger with retail-brokerage Dean Witter had sparked years of infighting and a 2005 coup that restored Mr. Mack to power. The two net-

works used separate trading systems. More than 90% of branches failed internal audits the year before Mr. Gorman arrived, according to Morgan Stanley executives.

Mr. Mack asked Mr. Gorman whether the retail business was worth keeping. "He told me it could absolutely be fixed, that it would take two years," Mr. Mack says, "and at that point we'd have to decide whether to sell it or double it."

Mr. Gorman commuted daily from Manhattan to Morgan Stanley's suburban Westchester County campus.

He fired the 2,000 lowest-performing advisers and combined trading systems. When he called branch managers to introduce himself, at least one hung up on him, he says. The brokerage's profit margins climbed to 17% in 2007 from 8%.

Morgan Stanley had largely hung back as new types of exotic, risky trading swept Wall Street in the early 2000s. It was busy sorting through the Dean Witter merger and, executives agreed, had lost a step to rivals that were minting profits on mortgage bonds and complex derivatives.

At the worst possible mo-

ments, Morgan Stanley charged in, just as credit and real-estate prices were peaking. In 2007, it lost \$9.4 billion on one mortgage trade, beginning a spiral that brought it to the brink of bankruptcy a year later. Had regulators not intervened, it would likely have followed Lehman Brothers onto the scrap heap.

The firm emerged with a 20% shareholder in Mitsubishi UFJ Financial Group Inc. and a mandate from regulators to clean itself up by raising capital, lowering leverage and reining in its problematic trading arm.

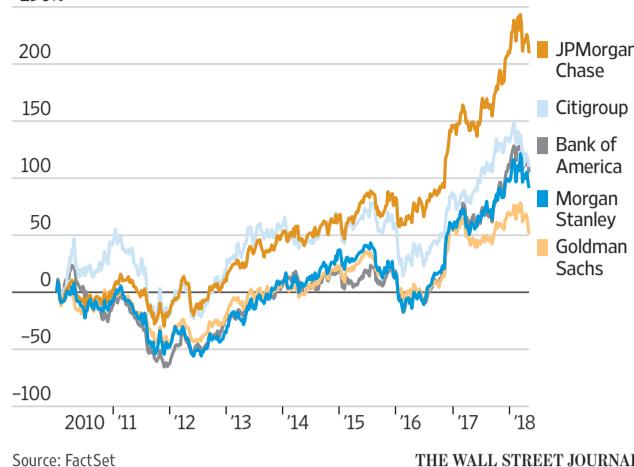
By early 2012, with concerns about Morgan Stanley's exposure to troubled European debt, Moody's Investors Service was threatening a steep ratings downgrade. Clients were leaving. Creditors were scrambling to insure its debt against a default. Its shares touched \$12, near their 2008 low.

In his Switzerland interview, Mr. Gorman told employees to "read the newspaper." The firm's precarious position required changes, including cuts to bonuses and new risk limits and if they didn't like it, he says, they were free to leave.

"I might choose different words today," he says. "But our job as management is to be honest and transparent about what we're doing."

After the Crisis

Total shareholder return since 2010



Source: FactSet

Morgan Stanley bankers and traders, scarred from the Dean Witter merger, worried Mr. Gorman was watering down the firm's Wall Street DNA, say current and former employees.

"I felt like the boy in 'The Polar Express,' wondering why nobody else could hear the bell," says Mr. Gorman, who says he never doubted the move. Last Christmas, playing on the reference, Morgan Stanley's head of investor relations gave him a silver sleigh bell he keeps on his desk.

"James made some tough calls," says Ruth Porat, then Morgan Stanley's chief financial officer, now CFO at Google parent Alphabet Inc., "even when they weren't popular."

Wealth management, thanks to Smith Barney, accounts for nearly half of Morgan Stanley's revenue while using a quarter of its available capital. Client assets have increased to \$2.4 trillion from \$1.6 trillion in 2010. Profit margins in 2017 were 26%, up from 6% just after the deal.

In part, that owes to the soaring stock market, which has increased client-portfolio values and the fees Morgan Stanley collects to manage them.

On 99% of days last year, its wealth arm generated revenues of \$50 million to \$80 million, according to filings. Steven Chubak, a Nomura Holdings Inc. analyst, estimates the business, 44% of the firm's revenue, accounts for 55% of its market value because investors put a premium on its reliability.

Morgan Stanley also axed some riskier businesses, cutting 25% of fixed-income traders in 2015 and reducing the capital and borrowed money available to the unit. The moves cast it as more of a middleman for clients than a gambler—easing out revenues, with fewer big profits but fewer losses.

Mr. Gorman has been rewarded: His \$27 million pay package in 2017 was second among Wall Street CEOs only to that of JPMorgan Chase & Co.'s James Dimon.

Mr. Gorman, who keeps a makeshift office putting green, has resumed golfing. He had stopped after the crisis, wary of being seen on the links while Morgan Stanley struggled.

Last year at a town-hall meeting, a banker asked what kept him up at night. "Nothing," he replied. Mr. Gorman, who owns a Labrador and a Maltese, added: "Maybe the dogs, sometimes."

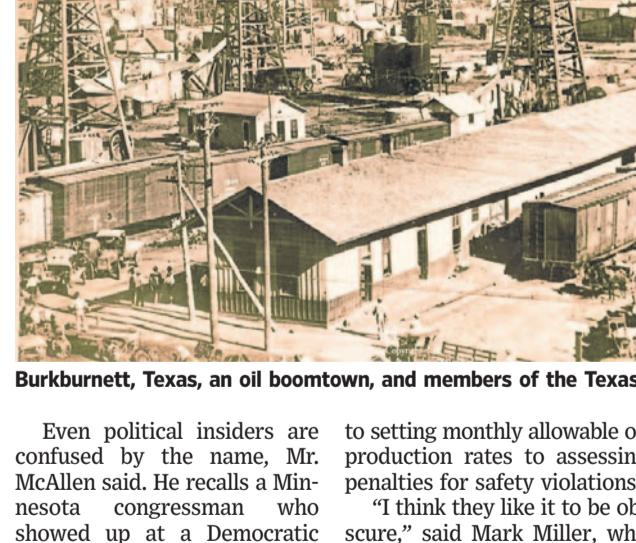
OIL

Continued from Page One main task is to regulate oil and gas operations. It has been one of the most powerful offices in Texas for 100 years, since a mammoth oil boom put the state on the economic map.

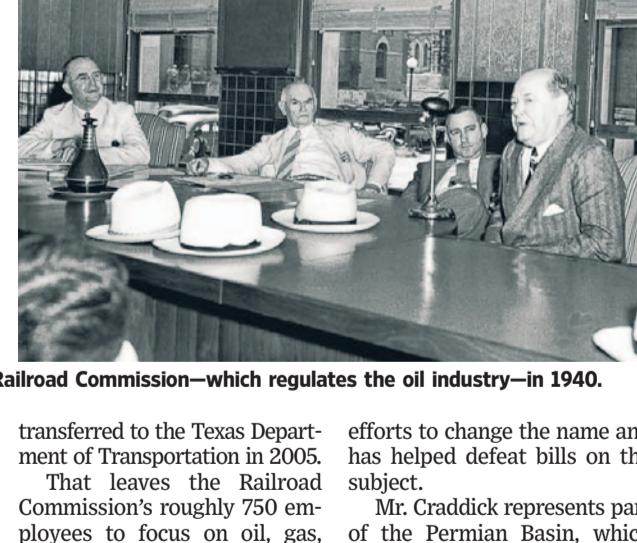
Mr. Sitton said it's time to rebrand. Other state officials are reluctant, saying the name is a throwback to the original days of the oil boom. Numerous bills put forth in the Texas legislature to change the name to accurately reflect the agency's duties have failed.

"It's a historical name. It has a lot of meaning across the world," said Lauren Spreen, director of public affairs for Commissioner Christi Craddick, who is chairman of the commission and doesn't want the name changed. She said Ms. Craddick, a Republican running for reelection in November, talks to Texans daily about what the agency does.

Her Democratic opponent, Roman McAllen, said the name has been kept for nefarious reasons, to lessen public involvement in the agency by keeping voters clueless about its true function. Since November, just one person has addressed the commission during the public-participation part of its regular open meetings, usually held once or twice a month in Austin. Meetings cover matters ranging from drilling disputes



Burkburnett, Texas, an oil boomtown, and members of the Texas Railroad Commission—which regulates the oil industry—in 1940.



LIBRARY OF CONGRESS/AP

here—we've got 400 rigs running."

As for Texans not being familiar with the commission, Mr. Craddick said, "The vast majority of people that deal with the Railroad Commission know what it is."

Former Texas state Rep. Larry Phillips, now a state district judge, authored a failed bill in 2015 to change the name to the Texas Energy Commission. The Republican told the story of an elderly constituent upset about a railroad-crossing closure and getting more upset that the commission couldn't help. "If she's confused, that's good enough for me," he said.

A name change could trigger costs to change signs and logos. Estimates have run from \$100,000 to \$500,000.

"It's just not our priority to spend that kind of money on a name change," said Ms. Spreen, the public affairs director on the commission.

For the third railroad commissioner, Wayne Christian, who was elected for his six-year term in 2016, the possibility of further regulation and costs puts him in the "leave it alone" camp.

Mr. Sitton, tired of explaining the name on a nearly daily basis, said money shouldn't be the issue. "We work for the people of the state, and they should know what we're doing," he said. "I will raise the money."

Even political insiders are confused by the name, Mr. McAllen said. He recalls a Minnesota congressman who showed up at a Democratic fundraiser in August and thanked him for running for the seat, saying: "The railroads are so important."

Some Texans believe the name has been kept for nefarious reasons, to lessen public involvement in the agency by keeping voters clueless about its true function. Since November, just one person has addressed the commission during the public-participation part of its regular open meetings, usually held once or twice a month in Austin. Meetings cover matters ranging from drilling disputes

to setting monthly allowable oil production rates to assessing penalties for safety violations.

"I think they like it to be obscure," said Mark Miller, who had unsuccessful runs for the commission in 2014 and 2016 and made changing the name one of his priorities. "They like that people don't actually know what they're voting for."

The commission was created in the 19th century to regulate railroads—in part to keep owners from extorting money from farmers and others to ship their goods. Later, the commission was also charged with regulating oil and gas pipelines. Over the years, railroad oversight was shifted to other agencies, with the final involvement

transferred to the Texas Department of Transportation in 2005.

That leaves the Railroad Commission's roughly 750 employees to focus on oil, gas, pipelines and mining—and many Texans with train questions frustrated.

The Lone Star chapter of the Sierra Club, an environmental organization, fears people with environmental issues, such as land-use concerns with gas wells, might not know where to turn. "People wouldn't think to call the Railroad Commission," said Cyrus Reed, conservation director for the club.

Longtime state Rep. Tom Craddick, a former speaker of the House and Ms. Craddick's father, is an outspoken critic of

efforts to change the name and has helped defeat bills on the subject.

Mr. Craddick represents part of the Permian Basin, which pumps a third of all crude oil produced in the U.S. from its location in West Texas and southeast New Mexico, according to the Permian Basin Petroleum Association.

Mr. Craddick said changing the name would mean renegotiating contracts with the federal government that deal with environmental matters, although some supporters of a name change disagree. "It could be very negative...a lot has changed environmentally since the 1930s and '40s," said Mr. Craddick. "It's booming out

GREATER NEW YORK

Mayor Backs Safe Drug-Injection Sites

By KATE KING

New York City Mayor Bill de Blasio is backing the use of facilities where users can inject drugs under medical supervision, saying they are necessary to prevent overdose deaths and encourage addiction treatment.

Overdose fatalities in New York City have more than doubled since 2000, with a record-high 1,441 people dying last year, according to a city report released Thursday. Proponents say safe-injection fa-

similar efforts across the world, and after careful consideration of public health and safety expert views, we believe overdose prevention centers will save lives and get more New Yorkers into the treatment they need to beat this deadly addiction," he said.

City officials sent a letter to the state Department of Health on Thursday seeking authorization for the pilot program. Approval also is needed from the local district attorney's office and from city council members whose districts would include the injection sites, the mayor's office said.

There aren't currently any safe-injection facilities in the U.S., although they are being considered in several cities, according to the city's report.

Kassandra Frederique, New York state director at the Drug Policy Alliance, an advocacy group, said injection centers save lives, reduce crime and improve public health.

"New York can and must be a leader now in saving lives by opening safer consumption spaces swiftly," she said.

The annual cost for operating a supervised injection facility would depend on its services and hours, ranging from as low as \$250,000 to as high as \$3 million, the city's report said.

"After a rigorous review of

1,441

Overdose deaths reported in New York City last year

cilities will save lives and prevent the spread of disease, while critics say the sites would condone illegal activity and enable addiction.

On Thursday, Mr. de Blasio said he would support a one-year pilot program in four neighborhoods: Gowanus in Brooklyn, Longwood in the Bronx, and Midtown West and Washington Heights, both in Manhattan.

"After a rigorous review of

Hotel Turns Away Guests

They are victims of a labor dispute in Toronto that has disrupted business at the Plaza

By CRAIG KARMIN
AND KEIKO MORRIS

New York's famed Plaza Hotel has been virtually closed for the past week, turning away guests who had booked rooms for up to \$1,000 a night. And it all stems from a protracted labor dispute hundreds of miles away.

The vast majority of guests arriving at the Plaza have been unable to check in since the middle of last week, according to people familiar with the matter, though the hotel's food hall has remained open.

The Sofitel New York, another Midtown Manhattan hotel, was closed to all guests for the past several days, though a representative of the hotel said on Thursday it is accepting guests again.

The hotels got into trouble after members of the New York Hotel Trades Council union who work at the Plaza and Sofitel raised health and safety concerns related to staff training and other issues, according to a person with knowledge of the matter.

New York union members



The Plaza Hotel hasn't been accepting guests since last week.

made those complaints as part of a coordinated effort to help resolve a separate union dispute in Canada, people familiar with the matter said. A Toronto hotel union has been in tense contract negotiations with a property managed by Fairmont, the same company that manages the Plaza.

By raising health and safety issues at the New York hotels and disrupting their business, the unions hoped they could apply additional pressure on Fairmont to reach an agreement in Toronto, these people said. Fairmont is owned by the Paris-based hotel company Accor, which also owns the Sofitel brand.

The Toronto union's executives declined to comment.

The New York Hotel Trades Council represents about 32,000 workers across all five boroughs and yields substantial political influence. The union is led by Peter Ward, who has a reputation as a tough negotiator and has been able to win favorable contracts for hotel workers.

A spokesman said Mr. Ward declined to comment.

Employees at the Sofitel reception desk have told people who requested a room this week that the hotel was closed due to "operational challenges." A doorman at the Plaza said the hotel hasn't been accepting guests since the middle of last week due to repairs.

The health and safety is-

sues have been addressed and the Plaza is expected to return to full operation soon, a person briefed on the matter said.

But that would come too late for some irate guests who were turned away and went to online message boards to complain.

A reviewer from Zurich wrote on TripAdvisor that he flew 11 hours but was rebuffed at the Plaza, which rebooked him at another hotel. "I am extremely upset not only that we were turned away but the handling for a 1000\$ room per night," reviewer Carlos_Zurich posted on the site.

Another on TripAdvisor from Toronto wrote about getting bad news at the Sofitel.

"Arrived on 26th for 4 nights, only to find that the hotel was NOT accepting any guests," Jay M wrote. "Not entirely clear why the hotel was shut for 'operational reasons,' but I was assured of a full refund."

The Plaza's troubles also come at an inopportune time for its majority owner, the Indian conglomerate Sahara Group, which has been trying to sell the iconic property. Sahara hired JLL Hotels and Hospitality Group last summer to find a buyer and has been in negotiations with a number of parties, say people familiar with the matter.

Standoff and Explosion Leave One Dead, Nine Injured in Connecticut



SCENE OF DESTRUCTION: Police went to a North Haven home after a woman who lived there reported she had escaped after being held hostage, officials said. Officers negotiated for hours with a man at the property before a building there exploded Wednesday night. Nine officers were hurt. The remains of one person were recovered.

Tower Can Dump Trump Name

By CORINNE RAMEY

A New York State Supreme Court judge ruled Thursday that the residents of a Manhattan condominium can legally remove the Trump name from the building's facade.

Justice Eileen Bransten's ruling stems from a lawsuit filed in January by the board of 200 Riverside Blvd., which is on Manhattan's Upper West Side. The suit asked the judge to rule on whether a license agreement requires the residents to keep the Trump name or merely allows them to use it.

A spokeswoman for the Trump Organization said the decision "was limited to a narrow technical issue of law, for which there is no precedent in New York." She added that the organization was confident an appeals court would disagree with the decision.

A lawyer for the condo board declined to comment.

A license agreement with Donald Trump shows that the board paid \$1 to use the Trump name. "Trump Place" was installed in large, brass-finish characters in two places on the building in the late 1990s, according to the complaint. The building has 377 residential units and four commercial ones, it said.

In February, according to the complaint, 63% of owners who responded to a poll favored removing the Trump sign. In March, the Trump Organization sent a letter to the board that threatened legal action and "significant" damages and legal fees if the name was removed.

Removing the name still requires a vote by condo owners.

City Plans to Double Capacity for Ferry Service

By PAUL BERGER

New York City will spend \$300 million to expand its fleet of ferries and double passenger capacity, after ridership exceeded expectations in NYC Ferry's inaugural year.

James Patchett, the chief executive of New York City Economic Development Corp., which oversees the service, said the city expects to order more than 10 new boats, most with a capacity of 350 passengers. That would bring the fleet capacity to 6,000 people, up from 3,000 today.

Before launching the ferry service in May 2017, the city estimated that annual rider-

ship for six routes would be about 4.6 million people. But over the past year, with just four routes operating and only two of those full-time, the service carried 3.7 million passengers. Now, the city has revised its ridership estimate upward to nine million annual passengers by 2023.

"They have come in numbers much greater than we could have imagined," Mayor Bill de Blasio said Thursday, standing on a pier in Bay Ridge, Brooklyn, with a ferry bobbing in the background.

During peak summer months last year, some passengers to popular destinations, such as beaches on the

Rockaway Line, had to wait up to an hour for space on a ferry.

Last year, the city revised its original order of 20 boats, each capable of carrying 150 passengers, to add three ferries that can carry 350 passengers. Those boats will arrive this summer, though Mr. Patchett cautioned that on peak summer days there still will be lines for the busiest routes.

At its current spending rate, the ferry service will have cost the city about \$700 million by 2023.

Transit advocates have criticized the ferry service for being wasteful at a time when

the struggling subway and bus systems, which are run by the state-controlled Metropolitan Transportation Authority, require more funding. The subway and buses carry about eight million people a day combined.

A ferry ride in the city costs \$2.75, the same price as a subway or bus fare. But it costs the city an additional \$6.60 a rider. The city spends about \$30 million a year subsidizing the service. That may increase over time as ridership rises, according to a spokesman for the mayor.

Kate Slevin, of the urban planning group Regional Plan Association, welcomed the

ferry program's success, but she added that she hopes "similar attention can be given to buses, bike share, bike lanes and other forms of transportation that serve millions of New Yorkers."

Mr. de Blasio said the ferry was a good alternative for people stuck on crowded subway trains and congested roads as well as for those who live near the water. He said the ferry offers residents more options.

The city intends to add two new routes in late summer—to Soundview in the Bronx and to the Lower East Side—with more routes expected in the coming years.

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Driver Is Charged In Deadly Accident

BY ZOLAN KANNO-YOUNGS

The motorist who struck and killed two young children in a Brooklyn crosswalk in March was charged with manslaughter Thursday as prosecutors said she had ignored doctors' warnings not to drive.

Dorothy Bruns, of Staten Island, told police she suffered a seizure before hitting the children and other pedestrians in the Park Slope neighborhood on March 5.

Ms. Bruns, who wore two medical boots and used a walker, cried toward the end of her arraignment Thursday. She pleaded not guilty through her attorney to second-degree manslaughter, criminally negligent homicide and assault.

"This case was a heart-breaking case for all the people in Brooklyn," District Attorney Eric Gonzalez said afterward. "It was truly avoidable."

The accident killed Joshua Lew, 20 months old, and 4-year-old Abigail Blumenstein, the daughter of Tony Award-winning actress Ruthie Ann Blumenstein. Ms. Blumenstein, who was pregnant, was injured but she and her unborn child survived.

Ms. Bruns had suffered a seizure in January and had been instructed several times not to drive because of the possibility of her having another episode, according to Assistant District Attorney Craig Esswein.

"She was the last person that should've been in the car but she didn't listen for whatever selfish reason," he said.

David Jacobs, Ms. Bruns's lawyer, said she had a letter written by a neurologist in January "clearing her for her regular activities." He said she needed to drive for her job.

New York Bourbon Takes Its Shot

The signature American spirit may have its roots in Kentucky, but the Empire State is making its mark

BY CHARLES PASSY

When Colin Spoelman started producing his Brooklyn-made Kings County Distillery bourbon eight years ago, he often got a reaction akin to the one in that TV commercial that mocked a New York salsa. Bourbon, a corn-based spirit that is often considered America's signature sip, belonged to Kentucky, the purists argued.

Today, Mr. Spoelman has claimed awards in several prestigious spirits competitions for his bourbon, and sells about

FOOD & CULTURE
80,000 bottles annually. His distillery, which makes other spirits, is undergoing a \$1 million-plus expansion so it can increase its output five-fold to meet demand.

In short, no one is laughing at the idea of a Brooklyn bourbon anymore.

Just the opposite, says Mr. Spoelman, who points with pride to his range of releases, including a "peated" bourbon that has something of the flavor of a smoky scotch.

The fervor for locally made bourbon extends well beyond Kings County Distillery to include several similar craft-style producers throughout the state, he notes.

"I think New York distilleries are leaders," says Mr. Spoelman, himself a Kentucky native. He runs Kings County Distillery in partnership with David Haskell, a magazine editor.

The examples of such distilleries are almost too numerous to cite. Black Dirt Distillery, located in the Orange County hamlet of Pine Island, has been making an award-winning bourbon that co-founder Jeremy Kidde says is all about the "terroir," using a term more commonly employed in the wine world. In this case, he



Colin Spoelman, above, works in Kings County Distillery in Brooklyn. Matt Fitzgerald, below, inspects bottles of the firm's bourbon.



is referring to the rich soil in which the local corn used for the bourbon is grown. "It's true grain to glass," he says of the finished product.

Of course, New York brands are relatively small

compared with the giants in Kentucky. That state is home to the major bourbon distilleries, from Jim Beam to Maker's Mark, and has its own bourbon trail.

The spirit comes into par-

ticular focus in Kentucky each year with the running of the Kentucky Derby, set for Saturday, when the horse race traditionally is accompanied by the festive drinking of a mint julep (or two), the popular bourbon-based cocktail.

The Treasury Department's Alcohol and Tax and Trade Bureau, which oversees the labeling of distilled spirits, doesn't require that a bourbon be produced in Kentucky to be called just that. And as the craft-spirits movement has taken off in recent years—much like the craft-beer movement a couple of decades ago—craft distilleries throughout the U.S. have made non-Kentucky bourbon a reality.

New York has been well positioned to jump on the craft trend—and, by extension, the craft-bourbon one—because of recent

changes in state law that have made it easier and less expensive for smaller distilleries to operate and get their product to market.

Earlier this year, New York Sen. Chuck Schumer touted Widow Jane, a spirits brand based in Brooklyn that specializes in bourbon, at a conference at the University of Kentucky. The borough "produces some of the best bourbon in the world," he said.

There was just one problem: Some of Widow Jane's products are distilled elsewhere, including in Kentucky, which prompted some jibes.

Widow Jane Vice President of Operations Michele Clark explains that as the now six-year-old company gets its Red Hook operation up to speed, it eventually won't need to look elsewhere for sourcing. "We are absolutely shifting to producing in New York," she says.

THE WALL STREET JOURNAL.

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LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

'Tully': Enter the Perfect Nanny

Charlize Theron stars as an overweight mother who's spread too thin until Mackenzie Davis's night nanny comes to help

'TULLY' TURNS OUT to be a twofer. There's the movie you see, which is whipsmart, intimate, affecting and fearlessly funny about the mixed blessings of motherhood. And there's the movie you replay in your mind to sort out its several mysteries. That one is richer, deeper and strangely beautiful.

The stars are Charlize Theron as Marlo, a mother who can barely cope with two kids, then gives birth to a third, and Mackenzie Davis as Tully, a night nanny who comes to help. (The unseen stars are Jason Reitman, the director, and Diablo Cody, the writer, who serve and deserve each other in the best way; this is their third collaboration, after "Juno" and "Young Adult.") Actually Tully was sent to help. She and her services are a gift from Marlo's brother Craig (Mark Duplass), a rich guy with an enviable lifestyle, a lissome wife named Elyse (Elaine Tan), a full-time nanny named Shasta (Stormy Ent), and a well-founded concern that his sister may be coming undone.

Marlo is manifestly unsatisfactory. She bulks large, and not just because of the weight Ms. Theron put on for the role. Hugely pregnant at the outset, she's a formidable woman, thwarted and acerb, who's too smart for most rooms she finds herself in, a witty woman who's at her wit's end and getting little help from her husband, Drew (a

toughing performance by Ron Livingston). She's a splendid creation played by a scintillating artist at the top of her game, a gravely hilarious counterweight to an eternity of blissful maternities in Hollywood films.

This film will have none of it. Eric Steelberg's camera doesn't even dote on Marlo's baby when she is born—no closeups of an adorable face,

only coolly distanced shots that see tiny Mia (who doesn't get named for quite some time) as her exhausted mother sees her, a crying creature in need of constant attention and a steady flow of milk, which Marlo produces sans human kindness.

If all of that sounds hard-hearted, it's really not. Marlo's distress is understandable, and should come

with a thrill of recognition to many women in the audience. In between feedings and brief sleepings, this beleaguered mom must also meet the needs of her grade-school kids, which range from reasonable on the part of her daughter Sarah (Lia Frankland), to special in the case of her son, Jonah (Asher Miles Fallica). Jonah is called "quirky" by people want to be polite, and "an out-of-the-box kid" by his euphemizing school principal. But he has undiagnosed behaviors that put him in a box with uncertain dimensions and no name.

By now we know that Ms. Theron brings a distinctive physical beauty to the screen, when she wants to. When she chooses to do otherwise we get the foul-mouthed prostitute and serial killer in "Monster," the smudge-faced iron miner in "North Country," the one-



Mackenzie Davis as Tully and Charlize Theron as Marlo, above; Mark Duplass stars as Craig, below



armed warrior in "Mad Max: Fury Road" or the slatternly writer in "Young Adult," a cockeyed comic triumph that remains severely unappreciated. The paradox in "Tully" is that its heroine is beautiful, however heavy she's become, but she doesn't think so. At a time when women reject objectification, Marlo objectifies her own body, and objects to it vehemently. "I feel," she says, "like an abandoned trash barge." That's where the night nanny comes in, and where Ms. Davis makes a dazzling entrance, followed by a lovely performance that's

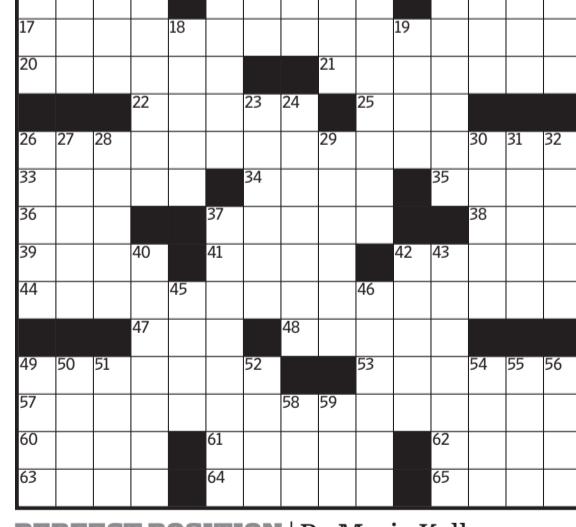
the perfect complement to Ms. Theron's. Tully is exactly what Marlo needs. She is also, to Marlo's dismay, shockingly young and fearfully gorgeous, as well as bright-spirited, cultivated (casually quoting "And so to bed" from Samuel Pepys, the 17th-century diarist), charmingly hippy-dippy (speaking of Mia having been "Earth-side for only three weeks") and wise beyond her 26 years. In other words, she is everything Marlo is not, though that distinction proves startlingly incomplete. Yet the two women connect, and their connection takes dramatic turns, including exchanges that were clearly, almost palpably, written by a woman: talk of the conflict between being a devoted mother and a sexually attractive wife; of the endless promise of one's 20s that narrows down in the course of one's 30s, when Marlo doesn't even have a dream that didn't come true.

This short, bright comedy with a dark core is immeasurably more enjoyable than it sounds, or looks in the trailers. Mr. Reitman has recaptured the delicate directorial touch he misplaced after "Young

Adult," while Ms. Cody's multi-edged sword of a script sends its characters down the damnedest surprising paths. The film can be faulted for its ultimately familiar

therapeutic formulations, though Marlo may have had plenty of shrinkery in her wayward past. All of the revelations may not parse literally, but they're so powerful metaphorically as to leave a haunting afterglow. The story the movie tells is about nothing less than regeneration, the harrowing process of pulling one's worn, dispirited parts into a vibrant new whole. Tully the night nanny alludes to it when she describes rebuilding a boat, plank by plank. "Tully" the movie swings vertiginously between bleak and buoyant.

The WSJ Daily Crossword | Edited by Mike Shenk



PERFECT POSITION | By Marie Kelly

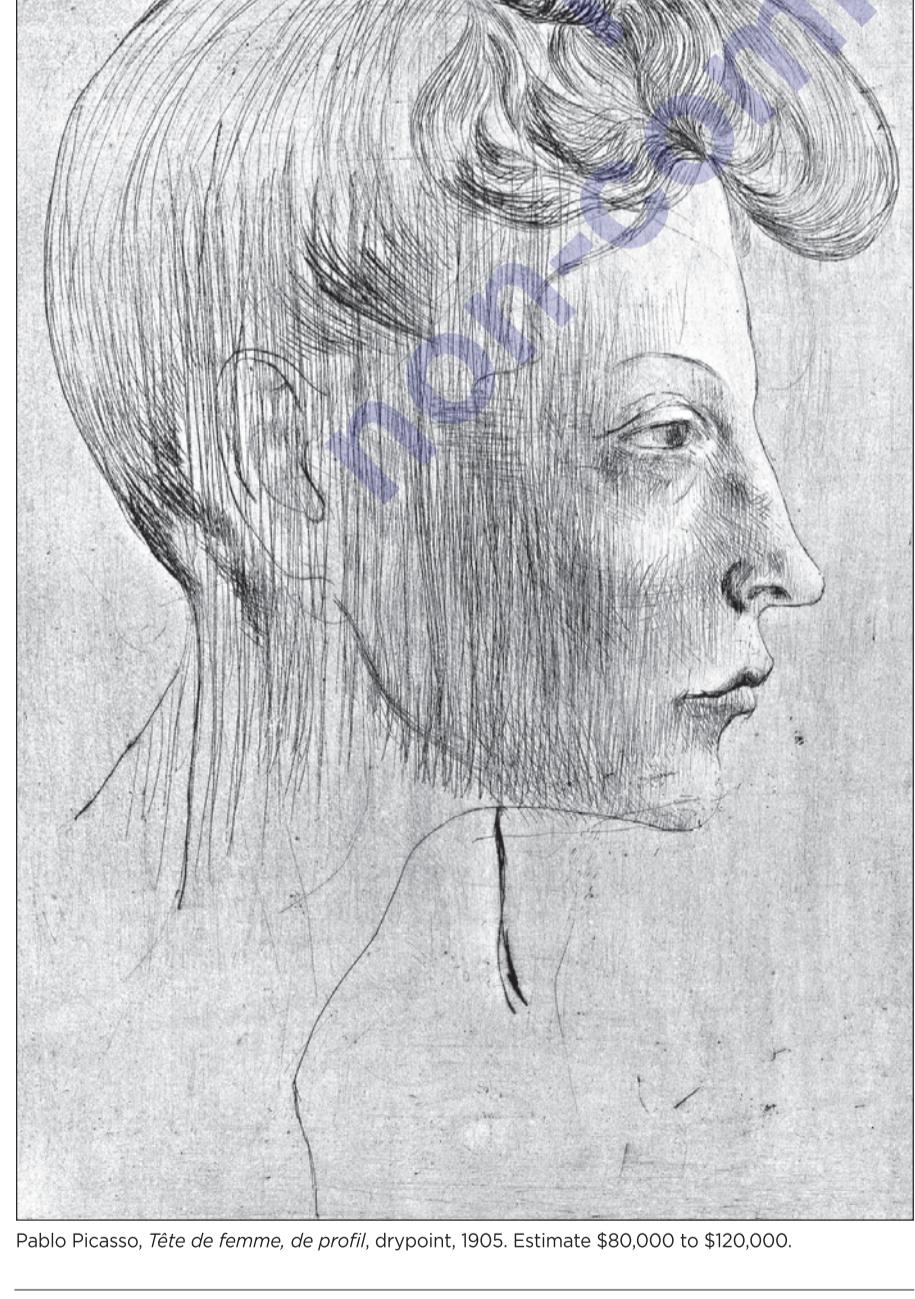
- The answer to this week's contest crossword is a four-letter verb.
- Across**
- 1 "Time's Arrow" novelist
 - 5 Slipped up
 - 10 Bluffer's giveaway
 - 14 Deficiency
 - 15 Lickspittle
 - 16 Thrusting weapon
 - 17 Shipper's business
 - 20 Guitarist, slangily
 - 21 Musical rattles
 - 22 Guadalajara gal pal
 - 25 Yogi Ferrell, e.g.
 - 26 Acoustician's concern
 - 33 Wrenches
 - 34 Dele undoer
 - 35 True, to Truffaut
 - 36 One with a J.D.
 - 37 Pitch
 - 38 Afr. neighbor
 - 39 Estate worker
 - 41 Blush, e.g.
 - 42 Camping treat
 - 44 1959 play with a title from a Langston Hughes poem
 - 47 Monaco moniker
 - 48 Movie palace
 - 49 Not just sleeping
 - 53 Entertain at bedtime
 - 57 Apply increased pressure
 - 60 It's played with a rope
 - 61 Community spirit
 - 62 Its national anthem is "Amhrán na bhFiann"
 - 63 Many layers
 - 64 County in New York's Southern Tier
 - 65 Political damage control
- Down**
- 1 Letter before Bravo
 - 2 "The Poverty of Philosophy" author
 - 3 Brain-freezing brand
 - 4 Stickup coverup
 - 5 Like some cuisine and slurs
 - 6 Balderdash
 - 7 Fan's cry
 - 8 It has a red coat
 - 9 "Great!"
 - 10 Ben Gurion Airport location
 - 11 Sweeping tale
 - 12 Headey who plays Cersei Lannister
 - 13 Sustained popularity
 - 18 Trouble and Aggravation
 - 19 "Phooey!"
 - 23 Goose in the outfield
 - 24 Shakespeare's merchant
 - 26 Tanzania border lake
 - 27 Mix flick
 - 28 Start for muscular or mural
 - 29 Hinge
 - 30 Twistable treats
 - 31 Pacific nation once called Pleasant Island
 - 32 Mariner's challenge
 - 37 Natatorium event
 - 40 Longspurs and linnets
 - 42 Alley rentals
 - 43 Terrorizes
 - 45 Sweep's target
 - 46 Mother who was sainted
 - 49 Longing
 - 50 River of Memphis
 - 51 "Son of ___!"
 - 52 Not for
 - 54 Grind gauge
 - 55 Hatcher of "Desperate Housewives"
 - 56 Wilson of "Wonder"
 - 58 In spite of, informally
 - 59 Don't share

Previous Puzzle's Solution

O	P	R	A	H	E	F	A	I	N	S	S	A	M
O	M	O	R	E	A	T	S	E	A	T	I	E	T
S	U	B	T	R	A	C	T	O	R	B	E	A	M
T	K	S	E	D	E	N	V	I	L	L	A	S	S
I	S	A	A	I	C	A	T	A	S	A	T	A	S
R	E	A	E	D	E	N	E	N	E	E	E	E	E
T	R	K	C	O	I	L	S	T	R	O	U	G	E
M	A	D	L	I	B	S	M	B	A	S	S	S	S
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S	U	B	M	I	S	C	R	E	E	P	P	P	P
S	U	B	M	I	S	C	R	E	E	P	P	P	P
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M	A	D	L	I	B	S	M	B	A	S	S	S	S

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SPORTS

MLB

A SHIFT FOR ICHIRO

BY JARED DIAMOND

ICHIRO SUZUKI, one of the most freakishly talented and enigmatic players in baseball history, ended his season—and potentially his major-league playing career—in the most Ichiro of ways: shrouded in an aura of mystery.

The Seattle Mariners—the team that initially signed Suzuki out of Japan to great fanfare in 2001 and brought him back for a final bow this season—abruptly released him Thursday and announced he would transition into a front office role. In the position of “special assistant to the chairman,” Suzuki will work closely with the Mariners’ coaches, performance staff and executives at home and on the road, likely in uniform. Though the agreement only covers the rest of 2018, general manager Jerry Dipoto said that the Mariners intend to keep the 44-year-old Suzuki as “a member of the Seattle organization long-term.”

But in unveiling the move, the Mariners conspicuously didn’t use the word “retirement.” John Boggs, Suzuki’s agent, said that his client intends to continue playing in 2019 and will continue working out and taking batting practice this season. He didn’t want to play for another team or go through the traditional waiver process, instead accepting to move to his new job immediately.

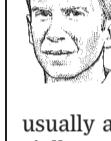
“He transitioning into this role in 2018, and 2019 has yet to evolve,” Boggs said.

Suzuki, a future Hall-of-Famer who has 3,089 major-league hits to go with his 1,278 in Japan, rejoined the Mariners in March after spending the last three seasons with the Miami Marlins. At this point, it seems unlikely that Suzuki will play again for another team, but at least a brief return to Seattle remains within the realm of possibility. The Mariners open 2019 with two games in Tokyo against the Oakland Athletics.

Despite a wildly imperfect Cavaliers team, LeBron James keeps writing brilliant new chapters.



TONY DEJAK/ASSOCIATED PRESS



If you run into my children in the next few weeks, a warning: they might be a nightmare. I mean, more of a nightmare than they usually are. They might be especially cranky and tired, demanding cheese sticks and juice boxes. They might wind up on the floor, kicking and howling, like an adult at the Apple Genius Bar.

It's not their fault. It's mine. I've been letting them stay up late to watch LeBron.

My children are 5 and 3. They are not sports fans. They are children. They would much prefer to watch a crocodile wrestle a boa constrictor. Or a volcano eruption. Or “Octonauts.”

But for the past few weeks, we've fallen into a routine whenever the Cleveland Cavaliers have an evening playoff game. The children do their normal child-schtick of wandering out of their bedrooms after bedtime, complaining they can't sleep. This is a lie.

They ask if they can sit on the couch and watch a little TV.

I should say no, because they really need to go to bed. But I say yes, because LeBron James is playing basketball—and I want my children to have watched LeBron James play basketball, when he was still in his prime.

I know it sounds corny, but I think this is important. It's pretty obvious by now that James is one of the greatest basketball players of all time. When he finally wraps his career, he may have a case alongside Michael Jordan as the greatest

NBA | By Jason Gay

Staying Up Late to Watch LeBron James

ever, and I want my children, when they're 35 or 62—or 147, living on Mars with their own great-great-great-grandkids, and Elon Musk and Tom Brady—to be able to say: *Yeah, I saw LeBron James play.*

I think this is the kind of thing I'm supposed to do as a parent. Sure: I'm supposed to teach them to brush their teeth, tie their shoes, drive a stick shift and make an Old-Fashioned the proper way, with a muddler and real sugar and not some garbage simple syrup. But I also think it's essential that when something miraculous is happening in sports, you make sure that your kids see it.

Cubs fans know what I mean. Cubs fans woke up newborns for the final out of Game 7.

My tennis-nut Dad did this with me, making sure I saw Jimmy Connors and Billie Jean King and Bjorn Borg. This was easier, since tennis was on during the day—or in Wimbledon's case, the morning. I feel like I watched every point of Borg's

1980 Wimbledon epic with John McEnroe. I'm not certain I did—I may have taken a nap or wandered outside to chase squirrels. But I know what that match means to tennis, because I saw some of it live.

That's another thing. I know some people may ask: *Hey, Jason, why can't you just DVR LeBron and show your kids the game in the morning?* Blech. It isn't the same. It's really not. I may as well show them YouTube highlights of Bob Cousy. Or a crocodile wrestling a boa constrictor. Live in the moment is everything.

(I will show them YouTube highlights of Bob Cousy eventually, however. And Bill Russell, Jordan, Willie Mays, Billie Jean and Eddy Merckx. And the San Diego Chicken.)

My children are not watching the entire Cavs game. Calm down. They usually hang in for about 15 minutes. I think the longest anyone has gone is until halftime. But I'm pretty certain the 5-year-old knows who LeBron is—big guy, fisher-

man's beard, always has the ball, usually doing something thrilling. That's one of the many great things about LeBron. He always plays. He barely sits. And on the court, he's at the center of everything.

That's one of the greatest basketball players who has ever lived, I tell my children. I really do! It's so pathetic and corny. I sound like I'm in a commercial for life insurance.

I think the 5-year-old gets it. I have no idea what the 3-year-old thinks. I think the 3-year-old is simply hoping to steal the remote and switch over to “Octonauts.”

I'll keep on letting them watch, because LeBron seldom fails to deliver. Even this season, when he's playing with a roster the Cavaliers found on eBay. Cleveland will have a hard time marching to the Finals this year. They barely squeaked past Indiana in the first round. James looks like someone who's been asked to carry a piano up a staircase. And yet, he's doing it, somehow.

This is what matters in sports. I really believe that. We spend a lot of time today arguing with each other about controversies and contracts and inane topics like bat flips or Bill Belichick's cutoff sleeves, but the whole reason we get addicted to sports is the off chance of seeing the type of greatness like LeBron James is offering pretty much every other night. He's 33 now, in his 15th season, and he's still the best.

It's amazing, close to magical, and I think everyone should be watching.

Then you really should stay up even later to watch Steph Curry. But you're going to be a wreck in the morning.

CYCLING

HOW ITALY'S MOST FAMOUS BIKE RACE WOUND UP IN ISRAEL

BY JOSHUA ROBINSON

Jerusalem

NOTHING IN the rules of Italy's most famous bicycle race says it must be contained entirely in Italy. In its 109-year existence, for example, the Giro d'Italia has spilled over the Italian border into neighboring Monaco, France, and landlocked San Marino.

In other words, the Italia part of Giro d'Italia is merely a suggestion.

Over the past two decades, organizers have steadily pushed the envelope. In 2002, the Giro organized

the start of the race in the Netherlands. In 2012, it visited Denmark.

And in 2014, the race kicked off in Northern Ireland. That's when organizers began to wonder: if the race doesn't need to start in Italy, does it need to start in Europe at all?

Which is why the 101st running of the Giro d'Italia, the three-week stage race, will begin here, in Israel, on Friday, in one of the most audacious bits of race planning in cycling history.

“When we had the opportunity to take the Giro outside of Europe, we took it,” Giro director Mauro Vegni said. “We need, even more than the Tour de France, to be known internationally.”

Precisely how the first three stages of the 21-stage race came to be organized 1,400 miles from Rome is a story that involves a suggestion almost no one took seriously, a

Masters bike racer from Canada, and one €10 million (about \$12 million) payment.

Vegni received the first approach in January 2016, a casual inquiry about whether taking a few stages of the Giro beyond the cycling heartland of Europe was feasible. The person asking was Sylvan Adams, a Canadian-Israeli real-estate developer who fell in love with cycling in his 40s, raced competitively into his 50s and now backs Israel's first professional cycling team, the Israel Cycling Academy.

Vegni was into the idea of exporting the Giro farther than ever before. So much so that he was already talking another group about an even bolder idea: taking the race to Japan.

The Giro isn't alone in its quest for increasingly exotic routes and start locations. The two other Grand Tours races on the cycling calendar, the Tour de France and the Vuelta a Espana, do it too. Taking the start abroad is viewed as an ideal opportunity to gain exposure and tap new sponsors and broadcasters who haven't been involved with the race before. Last year's Tour, for instance, began in Düsseldorf, Germany.

No one, however, has been quite as adventurous as the organizers of the Giro d'Italia. The Giro has started outside Italy on 12 previous occasions. But the 13th wouldn't be in Japan. The logistics of a 20,000-mile round trip were too complicated, officials said.



THOMAS COEX/AGENCE FRANCE PRESSE/GETTY IMAGES

In the Israeli government, Adams found an enthusiastic partner. Explaining that some 840 million people tuned into the 2017 Giro at some point during the three weeks of the race, he pitched it as an ad for the country's tourism industry.

“I told the Minister of Tourism to expect a BG and an AG effect: before the Giro, and after the Giro,” said Adams, who is also investing in building a velodrome in Tel Aviv.

The deal was done with a handshake in Milan on the final day of the 2017 edition of the race. With the Giro now heading to Jerusalem, Adams had new business cards printed: “Self-appointed Ambassador-at-Large to the State of Israel.”

The race will begin with a 10-kilometer individual time-trial on

Friday from the edge of the old city and then move onto a pair of road stages: a mostly flat 167-kilometer run from the coastal city of Haifa to Tel Aviv on Saturday, and a potentially tricky 226-kilometer haul from Be'er Sheva, south to the scalding Negev Desert and finally to the Red Sea resort of Eilat.

“We wanted to show off a good deal of the geography of the country,” said Adams, who had originally hoped for a medium-mountain stage in the Judean hills outside Jerusalem before the idea was nixed.

Taking the race to say, the Netherlands, of course, isn't as politically fraught as bringing it here. For race organizers, negotiating the situation has proven delicate. Last fall, they had to backpedal after referring to the start city as

West Jerusalem rather than simply Jerusalem, an implicit acknowledgment of Palestinian claims to the neighborhood of East Jerusalem. Under pressure from the Israeli government, the Giro went back to calling it Jerusalem.

“Clearly, we were well aware it could bring up controversy and criticism,” Vegni said of bringing the race to Israel. “But the visibility outweighed any other considerations.”

The competitors, for their part, have deliberately avoided any discussion of geopolitics. Chris Froome, the four-time Tour de France champion, said the location of the race hardly matters.

“I'm not someone to get involved in politics,” he said at the Tour of the Alps last month. “I'm a bike rider.”

OPINION

Why Justice Is Defiant



POTOMAC WATCH
By Kimberley A. Strassel

That's because the House is homing in on the goods.

Until this week, Deputy Attorney General Rod Rosenstein and fellow institutionalists at the department had fought Congress's demands for information with the tools of banal bureaucracy—resist, delay, ignore, negotiate. But Mr. Rosenstein took things to a new level on Tuesday, accusing House Republicans of “threats,” extortion and wanting to “rummage” through department documents. A Wednesday New York Times story then dropped a new slur, claiming “Mr. Rosenstein and top FBI officials have come to suspect that some lawmakers were using their oversight authority to gain intelligence about [Special Counsel Bob Mueller’s] investigation so that it could be shared with the White House.”

Mr. Rosenstein isn’t worried about rummaging. That’s a diversion from the department’s opposite concern: that it is being asked to comply with very specific—potentially very revealing—demands. Two House sources confirm for me that the Justice Department was recently delivered first a classified House Intelligence Committee letter

and then a subpoena (which arrived Monday) demanding documents related to a new line of inquiry about the Federal Bureau of Investigation’s Trump investigation. The deadline for complying with the subpoena was Thursday afternoon, and the Justice Department flouted it. As the White House is undoubtedly monitoring any new congressional demands for information, it is likely that President Trump’s tweet Wednesday ripping the department for not turning over documents was in part a reference to this latest demand.

Republicans also demand the FBI drop any objections to declassifying a section of the recently issued House Intelligence Committee report that deals with a briefing former FBI Director James Comey provided about former national security adviser Mike Flynn. House Republicans say Mr. Comey told them his own agents did not believe Mr. Flynn lied to them. On his book tour, Mr. Comey has said that isn’t true. Someone isn’t being honest. Is the FBI more interested in protecting the reputations of two former directors (the other being Mr. Mueller, who dragged Mr. Flynn into court on lying grounds) than in telling the public the truth?

It’s hard to have any faith in the necessity of the more than 300 redactions in the House Intel report, most of which the Republican committee members insist are bogus and should be removed. On every occasion that Justice or the

FBI has claimed material must be withheld for the sake of national security or continuing investigations, it has later come out that the only thing at stake were those institutions’ reputations. Think the Comey memos, which showed the former director had little basis for claiming obstruction. Or Sen. Chuck Grassley’s

was on at least one of the applications for a warrant on Carter Page to the Foreign Intelligence Surveillance Court. Dana Boente’s name is on another, and he’s now serving as the FBI’s general counsel.

We can’t know the precise motivations behind the Justice Department’s and FBI’s refusal to make key information public. But whether it is out of real concern over declassification or a desire to protect the institutions from embarrassment, the current leadership is about 20 steps behind this narrative. Mr. Comey, Peter Strzok, Lisa Page, Andrew McCabe—they have already shattered the FBI’s reputation and public trust. There is nothing to be gained from pretending this is business as usual, or attempting to stem continued fallout by hiding further details.

This week’s events—including more flat-out subpoena defiance—put a luminous spotlight on Speaker Paul Ryan. The credibility of the House’s oversight authority is at stake. Mr. Ryan’s committee chairmen have done remarkable work exposing FBI behavior, and they deserve backup. The quickest way to get Justice and FBI to comply with these legitimate requests is for Mr. Ryan to state strongly and publicly that he has zero qualms about proceeding down the road of contempt or impeachment if House demands are not met. This is the people’s government, not the Justice Department’s.

The increasingly poisonous interaction between Congress and the Justice Department also stems from a growing list of questions Republicans have about leading Justice Department officials’ roles in the events Congress seeks to investigate. Mr. Rosenstein’s name

Write to kim@wsj.com.

A House subpoena, another missed deadline. What is the department hiding?

criminal referral of dossier author Christopher Steele, the FBI’s so-called reliable source, whom we now know it had to fire for talking to the press and possibly lying.

The Justice Department is laying all this at the feet of the Office of the Director of National Intelligence, which technically oversees redactions. But ODNI consults with the agency that “owns” the material, and the FBI is clearly doing the blocking. Again, many pieces of the House Intel report that are being hidden happen to relate to FBI conduct during the 2016 election.

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is at stake. Mr. Ryan’s committee chairmen have done remarkable work exposing FBI behavior, and they deserve backup. The quickest way to get Justice and FBI to comply with these legitimate requests is for Mr. Ryan to state strongly and publicly that he has zero qualms about proceeding down the road of contempt or impeachment if House demands are not met. This is the people’s government, not the Justice Department’s.

Write to kim@wsj.com.

It's Hard to Find God on the Front Page

HOUSES OF WORSHIP Religion News Service, perhaps America’s most important wire service for faith and belief, is experiencing a meltdown. On April 20, its editor in chief was dismissed without warning. Resignations from two more veteran editorial staffers followed—a significant hit for a lean newsroom. A key fundraiser and a business manager had left the outlet earlier. Is covering the God beat still a viable business model?

Faith certainly wasn’t translating into enough clicks for RNS, which is why it hired a lawyer with minimal newsroom experience as publisher in November 2016. RNS long had focused more on explaining the news than breaking it, leading to declining page views and a shrinking client list. The new publisher responded by ditching his editor in chief—unnerving the newsroom in the process.

It’s always been a struggle to persuade news executives that Americans are more interested in religion than, say, sports. Associated Press religion writer George Cornell addressed the issue a few months before he died in 1994. He noted that religious giving in 1992 totaled \$56.7 billion—some 14 times the gate receipts for America’s three biggest sports. Cornell also said attendance at

religious events, according to Gallup polls, was 5.6 billion in 1993. That was 55 times the 103 million total attendance reported by the professional baseball, football and basketball leagues. The gap has narrowed in the past 25 years, but religious giving still maintains a multibillion-dollar lead.

Such involvement—no doubt much of it in religiously active flyover country—was not reflected in the average newsroom, even in the relatively cash-flush 1990s. The typical regional paper employed small armies of sports reporters while maybe employing a religion reporter. And Cornell’s pessimistic piece came at only the beginning of a decadeslong decline in daily newspaper circulation. Never-ending layoffs, firings and closings left religion among the most decimated of the specialty beats. Whole regions of the western U.S. and Canada have no staff reporter covering religion. Imagine if no one covered sports in Oregon, Wyoming and Arizona.

The Dallas Morning News closed its six-page religion section in 2007. The Vancouver Sun reconfigured the beat of its award-winning religion reporter into a “spirituality and diversity” column, while the Seattle Times’s religion writer was reassigned to the Microsoft beat. In 2014 the Boston Globe started a specialty site, Crux, to cover the

Catholic Church. They let it go after 18 months, and now the Knights of Columbus sponsors the site.

National papers like The Wall Street Journal have held up better. This paper employs a religion reporter based in Los Angeles, in addition to its Vatican City correspondent in Rome. It also publishes this religion column weekly.

A lack of reporters means religious news gets short shrift—and lots of corrections.

Knowledgeable reporters are needed who get the subtleties of this difficult beat. That lack of intellectual capital inevitably leads to embarrassing corrections.

It’s a shame so few outlets seem to take religion seriously anymore. Done right, the beat can be quite profitable. Anyone who wants to understand the forces behind much of today’s news needs to understand faith. For instance, readers spent more time perusing Graeme Wood’s Atlantic article “What ISIS Really Wants” than any other story on the internet in 2015. And this was fundamentally a piece about theology.

Pope Francis has been a news machine since his 2013 election. For some publications,

it feels like he’s the only religious news. And often general-assignment correspondents, with little context or understanding of the Catholic Church, are tasked with covering him. There are also countless important stories about other believers—from Muslims to Mormons—that don’t get the coverage they deserve.

Some new internet kids on the block are producing religion stories in a gossipy entertainment format: “This Is What It’s Like Being A Gay Christian Rock Star” (BuzzFeed), “How the Kremlin may have helped Trump win the Catholic vote” (Vox), “Muslims Are Internalizing Islamophobia, And Negative Media Coverage Is To Blame” (HuffPost). This new generation of religion reporting is frequently laced with opinion, simply because straight news is more expensive to produce.

For RNS, there is a glimmer of hope: a pending \$4.9 million Lilly Endowment grant. With the funds, RNS would form a partnership in which the Associated Press would distribute its content. But will media outlets buy it? For their own good, let’s hope so. Millions of Americans care about religion much more than sports—or anything else, for that matter—and wise editors understand that passion.

Ms. Duin is a blogger at GetReligion.org.

The bicentennial of the man whose ideas killed untold millions.

Marx and Engels acknowledged that their views stood

undeniably contrary to the

“social and political order of

things.” Communism seeks to

“abolish the present state of

things” and represents “the

most radical rupture in tradi-

tional relations.”

Toward that end, the mani-

fest offers a 10-point program,

including “abolition of prop-

erty in land,” “a heavy progres-

sive or graduated income tax,”

“abolition of all right of inher-

itance,” “centralization of credit

in the hands of the state, by means of a national bank with state capital and an exclusive monopoly,” “centralization of the means of communication and transport in the hands of the state” and the “gradual abolition of all the distinction between town and country by a more equitable distribution of the population over the country.”

In a preface to their 10 points, Marx and Engels acknowledged their coercive nature: “Of course, in the beginning, this cannot be effected except by means of despotic inroads.” In the close of the Manifesto, Marx said, “The Communists . . . openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions.”

They were right about that.

Human beings would not give

up fundamental liberties

without resistance. Seizing

property would require a ter-

rible fight, including the use

of guns and gulags. Lenin,

Trotsky, Stalin and a long line of revolutionaries and dictators candidly admitted that force and violence would be necessary.

We’re told the philosophy was never the problem—that Stalin was an aberration, as were, presumably, Lenin, Trotsky, Ceausescu, Mao, Pol Pot, Ho Chi Minh, the Kims and the Castros, not to mention the countless thousands of liquidators in the NKVD, the GRU, the KGB, the Red Guard, the Stasi, the Security, the Khmer Rouge, and on and on.

Couldn’t any of them read?

Yes, they could read. They

read Marx. The rest is his-

tory—ugly, deadly history.

Mr. Kengor is professor of political science at Grove City College. His books include “A Pope and a President: John Paul II, Ronald Reagan and the Extraordinary Untold Story of the 20th Century” and “The Politically Incorrect Guide to Communism.”

BOOKSHELF | By Nina MacLaughlin

How to Build A Life

Making Things Right

By Ole Thorstensen
(Penguin, 234 pages, \$16)

“Craftsmanship names an enduring, basic human impulse,” the sociologist Richard Sennett has observed, “the desire to do a job well for its own sake.” That human impulse reverberates like a hammer bang throughout Ole Thorstensen’s “Making Things Right,” a swift and understated examination of a life spent working with one’s hands.

Mr. Thorstensen, a savvy and matter-of-fact master carpenter from Norway, tells the story of a loft renovation in an Oslo home built in 1890, from the initial bid to the final job-site tidy. Chapters start with hellos to the family on Monday morning and end with the straightening and organizing before quitting time on Friday, bringing us along as the work moves from architectural drawings through demolition, framing, boarding, venting, window installation, fire-stopping, tiling, plumbing, painting and finish work, from the fast and brutal to the painstaking and meticulous.

“There is nothing mysterious about skilled manual labor,” Mr. Thorstensen writes. And he does well to demystify the trades. The work is not magic—a matter of tools and time, patience, practice and desire. For its detailing of the labor involved, the book will as much be useful to someone facing a renovation as it will provoke nods of recognition from those in the trades (the splinters, the close calls, the recollection, while passing by, of each home you’ve worked in).

Mr. Thorstensen’s prose (in Séan Kinsella’s translation from the Norwegian) is unadorned, utilitarian: The words do the work they’re meant to do, without flourish. This is harder than it seems, like the hours and effort unseen that go into a seamless cope in crown molding or leveling a floor. (“Easy reading is damn hard writing,” as Nathaniel Hawthorne is thought to have said.) Mr. Thorstensen writes, for example, about doing a job for a pal without a written contract: “We were close friends. That friendship ended in a sad way.” It is left at that.

The book is, at its core, about relationships—between carpenter and co-workers, architects, engineers; between carpenter and client; and ultimately between worker and work. Mr. Thorstensen writes beautifully of the simple pleasure of carrying a load with someone: “To hold one end of something heavy and be aware of another’s movements, feel them transmitted through the object, is an experience all its own . . . it is a good way to get to know one another.”

“Making Things Right” is akin to a book-length spinoff of the carpenter’s section of Tracy Kidder’s “House” (1985), which followed the building of a home from the perspectives of architect, client and carpenter. Mr. Thorstensen laments that architects and engineers don’t get their hands dirtier. “Professional experience of the practical side, of being in touch with tradesmen . . . is steadily declining among architects and engineers,” he writes, echoing the gripes of every carpenter I’ve encountered. “Theory is always flawless,” he deadpans.

A Norwegian carpenter’s step-by-step account of a home renovation, alongside a paean to craftsmanship and working with one’s hands.

There’s much discussion of the psychology of clients, about the skills involved before the first swing of the hammer. Carpenters and clients speak different languages—opportunities for misunderstanding are legion. His descriptions of the work itself, however, the process of framing the ceiling or cutting the opening for a new set of stairs, gives truth to Richard Sennett’s argument that “craftwork establishes a realm of skill and knowledge perhaps beyond human verbal capacities to explain.” There’s pleasure in watching people work, an aspirational sense of “This is possible for me.” That’s why cooking and renovation shows are so popular. But there were moments when I wondered if a layperson would be able to understand what Mr. Thorstensen was doing—even with the sketches that he includes to aid the explanation, I struggled to visualize some of what he was trying to describe. As anyone who’s spent an afternoon with a set of IKEA instructions and baggies full of dowels and doodads knows, sometimes words, and even pictures, aren’t enough.

Mr. Thorstensen shares the timeworn concern that people these days are divorced from material reality and have little interest in how their pants were sewn, chickens slaughtered, shelves built. “I sometimes wonder if it has affected our idea of time,” he writes of our culture of disposability. He explores many of the same themes as Matthew Crawford did in “Shop Class as Soulcraft” (2009), but spares us Mr. Crawford’s macho posturing and trademark evangelism. There’s no sense from Mr. Thorstensen that not knowing how to wire a light switch or frame a wall makes you a lesser person. He makes a case for the pleasure in starting with nothing and ending with something, for a life spent accumulating experience, and he’s attentive to details large and small, like the way music sounds better on the radio once a room is insulated. “I would like to be reborn a tradesman many times in a row with my experience intact,” he writes, wishing only for a new back each time. How many of us can say this about our work?

One gets the sense that Mr. Thorstensen is good at his job, that the satisfaction he derives from it is enough to drive him through the cold days when his back aches and every measurement seems off, when he frets deep into the night about money and landing his next job. The loft proceeds—and finishes ahead of schedule!—with few hitches. Inconveniences are solved with ingenuity and ease. And while this makes one want to hire (and be) a man or woman who works with as much skill, experience and integrity as Mr. Thorstensen, a reader might long for a little more conflict, a little more strife, a little more of the inevitable job challenges that speak to the larger struggles that all of us experience as we do our best to build a life.

Mrs. MacLaughlin is the author of “Hammer Head: The Making of a Carpenter.”

Coming in BOOKS this weekend

Precision engineers and the modern world • The life of Paul Simon • George Marshall goes to China • Inside Graham Kerr’s kitchen • Catching the storm with Tim Samaras • Sam Sacks on new fiction • & much more

OPINION

REVIEW & OUTLOOK

The Nafta Ultimatum Strategy

A theory gaining ground in Washington is that President Trump has begun to grasp the economic importance of the North American Free Trade Agreement (Nafta) to his Trump state constituents and political future. You wouldn't know it by watching U.S. Trade Representative Robert Lighthizer negotiate the final stages of the Nafta rewrite with Mexico and Canada.

Legislatures in all three countries will have to approve the amended pact and that won't be easy this year with midterm elections in the U.S. and presidential and congressional elections in Mexico in July. The earliest Mexico's Senate will receive the text for a vote, requiring a two-thirds majority, is during its lame duck session in August, which doesn't favor passage. Things could get even more difficult once newly elected senators sit down after Sept. 1. Similar difficulties are likely on Capitol Hill.

This makes a prompt and mutually beneficial resolution all the more crucial. Yet Mr. Lighthizer recently pushed the next ministerial round of talks to May 7 as he flew to negotiate with China. His team last week also increased demands that workers making cars and car parts in Mexico receive higher minimum wages.

The outlook is troubling largely because of this and other U.S. poison pills. Mr. Lighthizer is dug in on his demand to kill Nafta's multilateral arbitration panels that rule on state-to-state disputes. Mexico and Canada oppose this as they do the Trump Administration's five-year "sunset" provision, which means Nafta would expire without affirmative steps by all three governments.

The Trump Administration is also obsessed with micromanaging the auto industry. Last week it asked that 40% of North American cars and 45% of light trucks be built with labor that is paid at least \$16 an hour. Fifteen percentage points of this could come from high-skilled workers but the rest would have to be paid to blue-collar workers in manufacturing and assembly. This is up from an earlier demand of 30% and 5% a few weeks ago.

Mexico has good reason to reject this anti-

Trump's trade rep thinks Democrats will save his trade rewrite. Bad idea.

competitive, market-distorting red tape. A wage mandate is ferociously debated in U.S. politics. Why does Mr. Lighthizer, a trade lawyer with no notable businesses experience, think he can or should dictate wages in another country?

But the real damage here would be to U.S. workers. The same goes for other new burdens such as requiring that 70% of steel and aluminum used in manufacturing be sourced in North America. Their jobs have been saved by freer trade, which has allowed production and labor efficiencies that have made the U.S. auto industry more competitive.

All of this would also harm the availability of capital as investors flee the rising costs of doing business on the continent. The paperwork, administration and complexity of operations necessary to prove compliance with the new labor rules would be further incentive to invest somewhere else.

Even if Mr. Lighthizer gets Mexico and Canada to yield, Republicans are threatening to reject the revised pact if it includes Mr. Lighthizer's demand to strip arbitration panels for investor-state disputes. U.S. business relies on these panels to protect property in Mexico and Canada. More than 100 Members of Congress have signed a letter to Mr. Lighthizer warning him against this provision.

Mr. Lighthizer doesn't seem to care. He wants to present Congress with an ultimatum to approve the renegotiated agreement or watch Mr. Trump let Nafta expire. On Tuesday Mr. Lighthizer said he expects to have a deal in a week or two and predicted that Democrats will help him pass it. These are apparently the AFL-CIO-backed Democrats who couldn't deliver a majority for trade agreements with Democrats in the White House.

More likely, they'll call Mr. Lighthizer's bluff, let Nafta expire, and blame Mr. Trump and Republicans for the economic damage. Maybe someone should inform Mr. Trump about the gamble his trade negotiator is making with the U.S. economy, the Republican Congress, and, by the way, his impeachment that will come with a Democratic House.

LETTERS TO THE EDITOR

Are Many Texas Urban Voters Slow Learners?

In response to Kevin Williamson's "Republicans Do Well in Texas, Except for Dallas, Houston, Austin . . ." (Cross Country, April 28): He is right. I am a Texas Republican and believe the loss of urban voters is because the party has shifted from focusing on fiscal, business and tax issues to emphasis on socially conservative issues. A typical candidate might boast that "my right-to-life position is more right-to-life than my opponent's right-to-life position." And LGBT voters and their friends may reasonably question a party that spends time and energy trying to dictate which bathroom 0.2% of the population would use and whose platform contains venomous anti-LGBT planks. I fervently wish my party—the party of freedom from government interference in private lives—would have a platform that does not peek into bathrooms or bedrooms. Do that, and watch the Republican votes in urban areas rise.

LESLIE W. READ
Dallas

The Associated Press says Donald Trump won the 2016 popular vote in about 2,626 U.S. counties, while Hillary Clinton won 487, but Mrs. Clinton

MATT JOHNSON
Charlotte, N.C.

Why Does Athletic Tail Wag Academic Dog?

It is both interesting and not surprising to hear Prof. Jay M. Smith's complaints about how college sports invade his academic freedom, which is really an illusion at UNC Chapel Hill, when his class on the academic fraud scandal was essentially canceled due to the athletic department's influence ("How Sports Ate Academic Freedom," op-ed, May 1).

What Mr. Smith doesn't tell us is why this influence exists. In 2017, his university had revenue of \$2,124,202,667, yet the athletic department's revenue was only \$90,500,869, or 4.26%. At the macro level, this isn't a very big tail wagging the dog, yet the dog is being wagged.

At Chapel Hill, when women's basketball revenue is only about 2.5% of men's basketball revenue, we know there's a Title IX issue hiding somewhere. When men's basketball revenue per grant-in-aid (G-i-A) player is \$1,646,805.77, about four times the revenue per G-i-A football player, we

know that college basketball is incredibly profitable, more than any other college sport. When men's basketball is black dominated, and when black athletes there graduate at less than half the rate of the general student body, we know racism is in the mix. But there are only 13 G-i-A players on the men's basketball team, so they're only exploiting a few black guys in exchange for a fake education, or so the justification goes, as they take millions of dollars off these guys' plates.

As distasteful as all of this is, it doesn't explain why the chancellor or the provost would intercede on behalf of the athletic department. Something else is going on underneath the surface that has not yet been explained or measured.

RICHARD G. JOHNSON
Cleveland

Mr. Johnson was the first to win a trial and a settlement against the NCAA on behalf of a college athlete in *Oliver v. NCAA*, 2009.

Resist the Progressive Hate-Speech Barrage

I can listen to liberal Annafi Wahed "A Warning to My Fellow Liberals" (op-ed, April 23) because she makes sense. However, my tolerance for the rant from the left has ended. No longer will I sit quietly and be accused of hating Muslims, hating women, hating gay people. No longer will I be denigrated for beliefs that liberals cannot tolerate. I will speak out and accuse those calling me names of hate speech. The Donald Trump supporters I know have none of the qualities the left wants to ascribe to them. Many on the left seem to be purveyors of hate, vitriolic speech, name calling, anger, rage, divisiveness and ugliness.

The media apparently sees no issue in printing the left's vicious, caustic labels with no basis in fact, only doubling my distaste for these mannerless folks. People who supported President Trump aren't an aberration. We are Americans who want a voice in our country. We are none of the labels you attribute to us. Look in the mirror

CAROL RADKINS
Citrus Heights, Calif.

Annafi Wahed worries that "unless we hatch a plan to stay in power forever, we're going to need bipartisan support for our policies." Hasn't she noticed that creating a permanent legislative majority is the progressives' plan? I want to know, if the left succeeds in this pernicious endeavor, what then? Where will she stand when the free exchange of ideas is held down by law and those of us who don't hold to the party line have no representation? Will she go to the gulag with us?

CAROL RADKINS
Citrus Heights, Calif.

Annafi Wahed makes valid points, but if her fellow liberals have adopted a rigid, dogmatic ideology, they are no longer liberals. She mentions progressivism, but that is little more than Marxism with a new name, and it is a real threat to individual liberty and our Constitution.

JIM PALMISANO
Cincinnati

App Must Be Bi-Functional

Concerning Elizabeth Bernstein's article "An App for Consenting to Sex" (Life & Arts, May 1): Presumably that app will be marketed in conjunction with a breathalyzer app.

THOMAS COFFEY
Wytheville, Va.

Pepper ... And Salt

THE WALL STREET JOURNAL



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

WILLIAM KELLY
Anderson, S.C.

Most storms pass eventually. This week Donald Trump tried to ensure that Stormy Daniels doesn't rain down permanent distraction on his Presidency, though at the cost of further damage to his credibility.

Mr. Trump contradicted his previous statements that he had no knowledge of payments that his lawyer had made to Ms. Daniels—the pornographic-movie actress whose real name is Stephanie Clifford—to quell stories of an alleged affair.

Speaking in his new role as Mr. Trump's lawyer, former New York City Mayor Rudy Giuliani disclosed that Mr. Trump made a series of payments to reimburse lawyer Stephen Cohen, who had paid Ms. Clifford \$130,000 as part of a non-disclosure agreement late in the 2016 presidential campaign.

In explanatory tweets Thursday, President Trump said that "Mr. Cohen, an attorney, received a monthly retainer, not from the campaign and having nothing to do with the campaign, from which he entered into, through reimbursement, a private contract between two parties, known as a non-disclosure agreement, or NDA."

The apparent reason for these contortions is the possibility that the payments if made by Mr. Cohen would have exceeded federal campaign-finance donation limits. We have long criticized the arcana of campaign-finance rules, but they are the law and carry real criminal penalties. That is why presidential candidates hire squads of lawyers to flyspeck donations during a campaign.

Messrs. Trump and Giuliani are arguing that Mr. Trump's payments to Ms. Clifford were made

for reasons that fall outside Mr. Trump's presidential campaign. And perhaps these admissions will lessen Mr. Trump's legal vulnerability.

What remains is the political damage. Attempting to quiet a similar storm in 1998, President Bill Clinton said, "I did not have sexual relations with that woman, Miss Lewinsky." Many of Mr. Clinton's political supporters were unmoved by the allegations against him. Similarly now, Mr. Trump's most ardent backers believe these charges aren't relevant to his public initiatives as President.

That may be true regarding whether Mr. Trump had an affair more than a decade ago. Voters in 2016 knew Mr. Trump was no choir boy, and the irony is that news of an affair would probably have made no difference in his race against Hillary Clinton, who was Bill Clinton's wife and chief defender.

But Mr. Trump's public deceptions are surely relevant to his job as President, and the attempted cover-up has done greater harm than any affair would have. Mr. Trump asked Americans, not least his supporters, to believe his claims about the payments. They were false and conveniently so in putting the onus on Mr. Cohen. Now, as more of the story has emerged, he wants everyone to believe a new story that he could have told the first time.

Mr. Trump is compiling a record that increases the likelihood that few will believe him during a genuine crisis—say, a dispute over speaking with special counsel Robert Mueller or a nuclear showdown with Kim Jong Un. Mr. Trump should worry that Americans will stop believing anything he says.

OPINION

Summitry Can Be Risky Business

By Jay Winik

How risky is the proposed summit between Donald Trump and Kim Jong Un? As America's greatest modern presidents have found, summity is an inherently high-stakes gamble. No matter how well scripted, events can take on a life of their own—or go dangerously awry. In negotiations, Mr. Trump is known for making snap decisions that amount to seismic policy shifts. It's unclear whether this unpredictability would work in Washington's favor or Pyongyang's. Worse still, could a failed summit chill relations, or even propel the two sides to arms?

When Trump meets Kim Jong Un, will he bungle it like FDR and JFK? Or triumph like Reagan?

If Mr. Trump looks to history, he will find it instructive. High-profile summits involve protocol and posturing, but they also invariably have epic, if not unexpected, consequences. Consider the Yalta Conference, the meeting of Franklin D. Roosevelt, Winston Churchill and Joseph Stalin in the waning days of World War II. Churchill had a fever of 102, while Roosevelt's health had failed so dramatically that onlookers gave the president "six months to live."

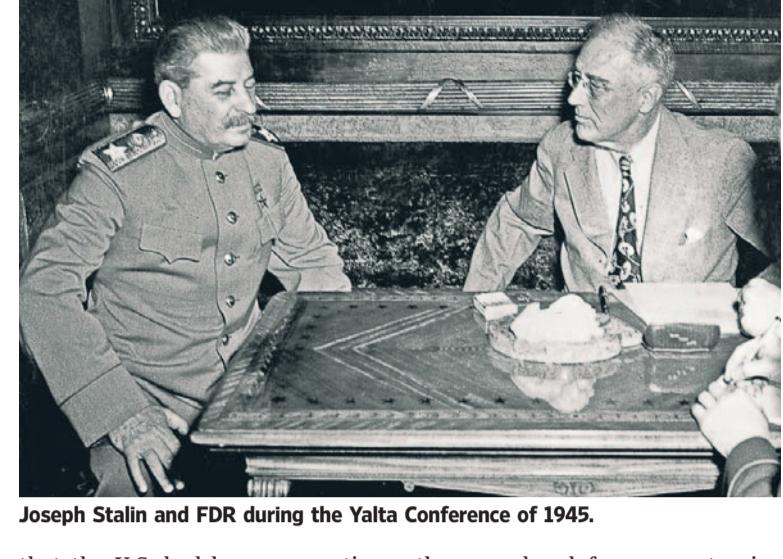
The summit sprawled over eight days, replete with morning meetings among various ministers and military chiefs, afternoon meetings of the big three leaders, and private discussions over meals. Roosevelt tried to

improvise, but his legendary diplomatic skills failed him. At one point he gave a nearly incoherent speech about the Germany he had known as a boy, which bore no resemblance to Hitler's Third Reich. FDR had not read his briefing books "as much as he should have," one State Department adviser later recalled. Instead the president had naively believed his personality would win over Stalin.

Yalta produced major agreements for the eventual four-way occupation of Berlin, German reparations for the Soviets, and the formation of the United Nations. But as the war's victors divided the spoils, Roosevelt capitulated to Stalin on the pressing issue of Poland. Reluctant to court confrontation with Soviet troops on the ground, FDR acquiesced—over Churchill's heated objections—to Stalin's demand for a Soviet-aligned Polish government. This effectively handed the Poles from one master, the Germans, to another, the Soviets.

Roosevelt also gave in to Stalin's demand that all the buffer nations in Eastern Europe be "friendly" toward Moscow, planting the seeds of the Cold War. FDR's reputation has since been dogged by charges that he "sold out" to the Soviets. In truth, the U.S. had a weaker military hand in Eastern Europe. FDR had no coherent strategy for overcoming that disadvantage, and he refused to jeopardize the gains he had made elsewhere.

Things went little better in 1961, when an untested and charismatic new president, John F. Kennedy, traveled to Vienna to meet with Nikita Khrushchev. An overconfident Kennedy brazenly thought he could charm the old Soviet. He couldn't. Instead, a well-rehearsed Khrushchev berated Kennedy with accusations



Joseph Stalin and FDR during the Yalta Conference of 1945.

as well as the historic thawing of the Cold War.

In all this history, there are some clear lessons for Mr. Trump as he sits down with North Korea's leader. First, always expect the unexpected. Second, resist bad deals. Third, come prepared. Trying to rely on your personality and charm to win over a malleable opponent is a recipe for disaster; it failed not only Roosevelt in Yalta, but also Kennedy in Vienna—and Mr. Gorbachev in Reykjavik. By contrast, having a broad strategy, sticking to principles, and refusing to waver from the bottom line secured Eastern Europe for Stalin, emboldened Khrushchev, and helped Reagan win the Cold War.

When assessing the hazards and opportunities, it is also crucial to consider Mr. Trump's personality and negotiating approach. Thus far he has been sure-footed on North Korea. But along with his many strengths, he can be thin-skinned and susceptible to flattery. He makes feuds personal and sometimes promises one thing yet does another. These instincts could be counterproductive with an adversary like Mr. Kim, who is not a congressional committee chairman but the dictatorial head of a bellicose nuclear state. Mr. Trump must not lose sight of this. Kennedy effectively did with Khrushchev and paid the price. Reagan didn't with Mr. Gorbachev and reaped the rewards.

Having rolled the dice, the president will surely make history with Mr. Kim. But whether the North Korean summit will be remembered as a breakthrough or disaster is now up to Mr. Trump.

Mr. Winik, author of "April 1865" and "1944," was the inaugural historian-in-residence at the Council on Foreign Relations.

Modi Signals Weakness by Making Nice With China's Xi



EAST IS EAST
By Sadanand Dhume

Anyone watching last week's carefully choreographed meeting between China's President Xi Jinping and India's Prime Minister Narendra Modi could be forgiven for forgetting that barely eight months earlier the two nations' troops had a tense 72-day border standoff in the Himalayas.

In the central Chinese city of Wuhan—where Mao Zedong once swam across the Yangtze River along with 5,000 followers—Mr. Xi and his guest struck a series of poses that suggested bonhomie and goodwill between the leaders of the world's two most populous countries.

Standing beneath a stone arch, they admired vivid pink plum blossoms. They sipped tea together on a boat. At a local museum, a classical Chinese orchestra serenaded Messrs. Modi and Xi with a 1980s Bollywood tune. Between these excursions, the two leaders held talks, flanked by dark-suited officials.

For India, which seeks to be seen as China's peer, the visit hit the right public notes. A Chinese Foreign Ministry statement referred repeatedly to the two countries' celebrated

"oriental civilizations." A Chinese official pointed out that Mr. Xi had only stepped out of Beijing twice to host a foreign leader—both times for Mr. Modi.

Ahead of the visit, an op-ed in China's state-owned Global Times declared a "new chapter in Sino-Indian relations." During last year's Himalayan standoff, the same newspaper launched a series of diatribes against impudent India.

If China and India were indeed in the midst of a reset, to borrow the overused term, the consequences would ripple across the region and beyond. The Trump administration would need to reconsider casting India as one of two "bookends of stability" (along with the U.S.) of a "free and open Indo-Pacific." Smaller nations, long used to Beijing and New Delhi jostling for influence, would have to adapt.

In reality, however, even the best Chinese orchestra cannot serenade away the deep-rooted problems between the two countries.

"The Wuhan summit is not an entirely new path. It's more like getting back to an even keel," says Tanvi Madan, an expert on India-China ties at the Brookings Institution in Washington. "India and China have tried this before, and it hasn't changed things."

Indian suspicion toward communist China dates back to 1962, when the two countries fought a brief but bitter border war, which China won. Despite 20 rounds of talks, their 2,200-mile border remains disputed. Over the decades China has helped Pakistan develop nuclear weapons and missile expertise.

The leaders' photo-op was almost enough to make you forget about last year's Himalaya confrontation.

More recently, China has stalled India's entry into the Nuclear Suppliers Group, a consortium of nations that governs trade in civilian nuclear technology. China has also prevented the United Nations Security Council from blacklisting Masood Azhar, the Pakistan-based founder of the terrorist group Jaish-e-Mohammed. The group was implicated in a 2001 attack on India's Parliament and has long been designated as a foreign terrorist organization by the U.N. and the U.S. State Department.

Meanwhile China continues to make inroads in South Asia, vying to

displace Indian influence in smaller countries such as the Maldives, Sri Lanka and Nepal. Last year's Himalayan crisis, in which Indian troops blocked Chinese efforts to build a road on territory claimed by Indian ally Bhutan, was widely viewed in New Delhi as a Chinese bid to increase its influence in the tiny Himalayan kingdom.

On the whole, Mr. Modi has appeared more willing to play hardball with China than his predecessors. India was the only major country to skip last year's glittering Belt and Road Forum in Beijing. The U.S. and European nations later echoed some of New Delhi's concerns about Chinese infrastructure projects, including the contention that they often place an unsustainable debt burden on poor countries.

Chinese expansionism has pushed India closer to the U.S. and Japan. Last year India allowed the revival of the so-called Quad, a loose grouping of the region's four leading democracies: the U.S., Japan, Australia and India. And New Delhi publicly shares international concerns about maintaining open sea lanes in the South China Sea despite Beijing's expansive territorial claims in the region.

Against this backdrop, the Wuhan visit contained an undeniable element of Indian kowtowing. In order

not to offend Beijing, India appears to have swallowed its concerns about the Maldives' tilting toward China. India has also turned down an Australian request to give the Quad teeth by joining this year's Malabar naval exercises with India, the U.S. and Japan. In February, the Indian government issued a circular advising government officials to skip Tibetan commemorations marking 60 years of the Dalai Lama's exile in India.

In an interview in Washington last month, Lobsang Sangay, president of the Dharamsala, the India-based Tibetan government in exile, said the circular sent a mixed message to neighboring countries. "It appears that the Chinese put a lot of pressure and India gave a concession," Mr. Sangay said.

Whether intentionally or not, Mr. Modi's visit signals weakness. Several analysts speculate that the prime minister worries about a border skirmish with China jeopardizing his re-election prospects next year.

Nonetheless, making nice with a powerful neighbor at a sensitive time is a lot easier than reorienting an entire country. Nearly 60 years of India-China rivalry cannot be reversed by even the prettiest photo opportunities.

Is the Phillips Curve Dead? And Other Questions for the Fed

By Alan S. Blinder

Markets are aflutter over whether the Federal Reserve will bump up interest rates twice or thrice more in 2018. But members of the Federal Open Market Committee have bigger questions to worry about. They are struggling to put numbers on what you might call the fundamentals for conducting monetary policy.

Consider these three rather basic questions. First, given the current state of the economy, should monetary policy be stimulating the economy or restraining it? Second, is current

monetary policy stimulative or restraining? Third, if the Fed alters its policy, what should it expect to happen to inflation and unemployment? A central bank that can't answer basic questions like these is in deep water. Unfortunately, that's exactly where the Fed finds itself today.

Start with the first question. Most economists determine whether the economy needs stimulus by comparing current and projected unemployment rates with a measure called the Nairu—the nonaccelerating inflation rate of unemployment (sometimes called the natural rate of unemployment). That number is supposed to

mark the dividing line between unemployment so high that it pulls inflation down and unemployment so low that it pushes inflation up. Hence the awkward name.

Trouble is, nobody knows where the Nairu is today. The FOMC is acting under the assumption that today's 4.1% unemployment rate is below Nairu, which it currently pegs at 4.5%. That could be right. But a year ago the committee thought Nairu was 4.7%, and three years ago it pegged it at 5.1%. The estimate kept falling because inflation stubbornly refused to rise despite low unemployment.

Here's my own view, but it's no more than an educated guess: The unemployment rate has settled at 4.1% for six months now, and inflation is creeping up very slightly. That suggests a Nairu in the 4% to 4.5% range, just a pinch lower than what the Fed now believes. But remember, the Fed keeps lowering its estimate.

Now to the second question: With the federal funds rate in the 1.5% to 1.75% range today, is monetary policy stimulating the economy or restraining it? To answer that question in the past, economists have compared the real interest rate—the funds rate minus inflation—to another key dividing line: the neutral (or natural) real interest rate, which Wall Street calls r^* (pronounced "r-star"). Here's the idea: When the real federal funds rate is above r^* , that means money is "tight," the Fed is holding back demand and inflation should fall. When the real federal funds rate is below r^* , money is

"loose," the Fed is pushing demand up, and inflation should rise.

But where is that dividing line today? That's a complicated question, because r^* depends on many factors beyond the Fed's control. If any of those other factors change, so will r^* . The most prominent example today is fiscal policy, which has recently changed quite a lot due to

Before adjusting interest rates again this year, the central bank should focus on the fundamentals.

that inflation should rise, in a relationship called the Phillips curve. The problem is that this inverse relationship between lower unemployment and rising inflation is nowhere to be found in recent data.

When I was the Fed's vice chairman in the 1990s, we felt we had a reasonable handle on the Phillips curve: If unemployment rose by 1 percentage point for a year, that would knock about half a percentage point off the inflation rate, plus or minus. That rule of thumb worked pretty well back then. But not lately.

Since 2000, the correlation between unemployment and changes in inflation is nearly zero. On average, inflation has barely moved as unemployment rose and fell. This is puzzling, to say the least. The Fed needs to know whether the Phillips curve has died or has just taken an extended vacation.

If a genie suddenly appeared and granted three wishes to Jay Powell, the Fed's new chairman, Mr. Powell would probably ask to know the Nairu, the neutral interest rate and the shape of the Phillips curve. Alas, no such genie has showed up. But let's hope for one. For compared to those three gigantic uncertainties, the choice between two or three more rate hikes in 2018 is pretty inconsequential.

Mr. Blinder is a professor of economics and public affairs at Princeton University and a former vice chairman of the Federal Reserve. His most recent book is "Advice and Dissent" (Basic, 2018).

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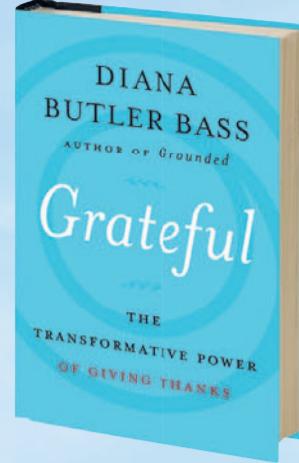
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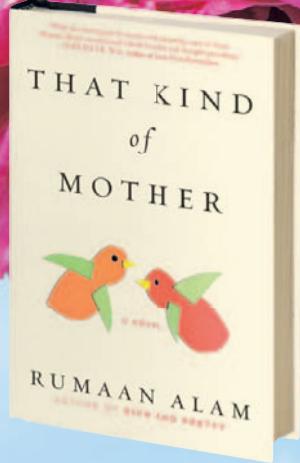
Full of personal stories and beautiful photos, *Magnolia Table* is an invitation to share a seat at the table with Joanna Gaines and her family.



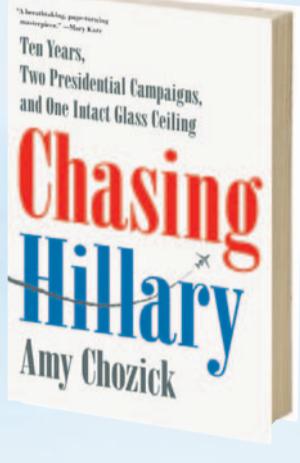
"There is no better response to this historical moment than cultivating gratitude."—Ana Marie Cox, political commentator, host of "With Friends Like These" podcast



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"With his unerring eye for nuance and unsparing sense of irony, Rumaan Alam's second novel is both heartfelt and thought-provoking."—Celeste Ng, author of *Little Fires Everywhere*



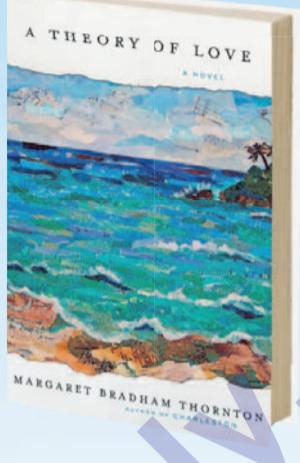
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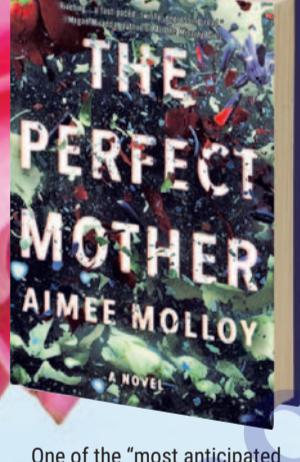


"A Theory of Love is a rare find—a tempestuous modern love story with a deeply soulful heart. Lush, evocative and romantic, this story captivated me until the very last page."—Cynthia D'Aprix Sweeney, author of *The Nest*

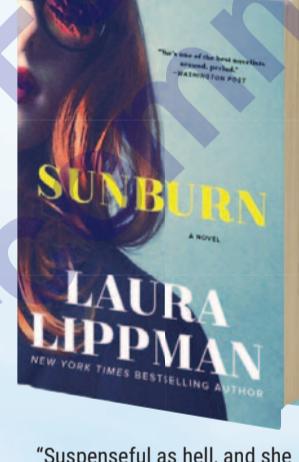
Mother's Day is May 13!

GREAT GIFTS FOR BOOK LOVERS

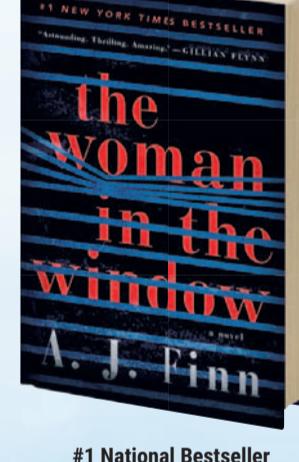
 HarperCollins Publishers



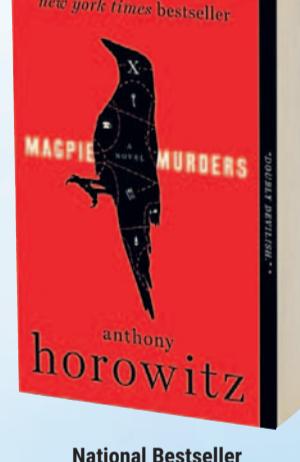
One of the "most anticipated thrillers" of the year (*Vanity Fair*)—soon to be a major motion picture starring *Scandal's* Kerry Washington



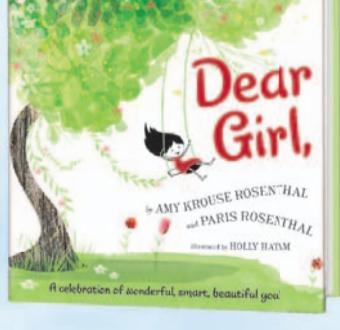
"Suspenseful as hell, and she writes like a dream.... Lippman's always good, but this is a cut above."—Stephen King



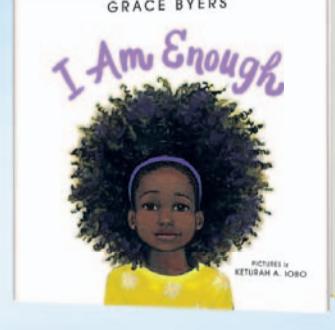
#1 National Bestseller
"A thrilling debut novel."
—The Wall Street Journal



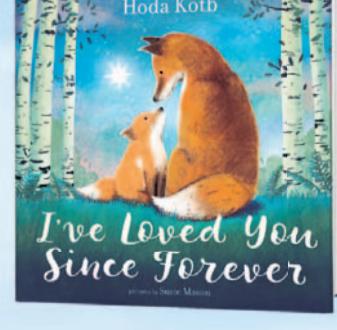
National Bestseller
"Catnip for classic mystery lovers.... With its elegant yet playful plotting, *Magpie Murders* is the thinking mystery fan's ideal summer thriller."—TIME



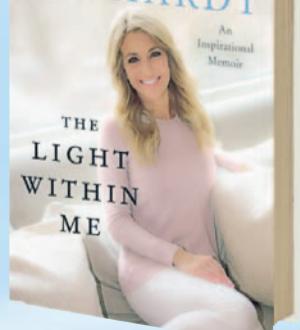
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This book is for smart, wonderful, beautiful you.



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A heartwarming read from Today show co-anchor Hoda Kotb about the love between parent and child.



"Will both inspire and motivate you to believe in great things, while trusting God in the process."—Tim Tebow, professional athlete

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THE WALL STREET JOURNAL.

Friday, May 4, 2018 | B1

U.S. Indicts VW's Former Chief

By ADRIENNE ROBERTS
AND CHRISTINA ROGERS

Volkswagen AG's former chief executive faces U.S. charges for his alleged role in an emissions-cheating scandal that has cost the German auto giant billions of dollars in penalties and damaged its reputation, according to an indictment unsealed Thursday.

Martin Winterkorn, who served as Volkswagen's CEO from 2007 to 2015, was charged with conspiracy and

wire fraud in relation to a criminal investigation into the company's efforts to cheat on U.S. diesel-emissions testing.

Mr. Winterkorn is one of the highest-ranking foreign executives to be charged by U.S. prosecutors. He is believed to be residing in Germany. Neither he nor his attorney in Germany were immediately available for comment.

Volkswagen said it is cooperating with U.S. officials but

declined to comment on the indictment.

The company has been wrestling to contain the fallout from the scandal, which affects millions of Volkswagen vehicles sold worldwide. Volkswagen's board last month ousted Chief Executive Matthias Müller, the executive who replaced Mr. Winterkorn, after he lost favor with the company's core shareholders.

"The indictment unsealed today alleges that Volks-

wagen's scheme to cheat its legal requirements went all the way to the top of the company," U.S. Attorney General Jeff Sessions said.

The indictment alleges that Mr. Winterkorn was informed by employees of the company's intentions to defraud U.S. regulators by cheating on diesel emissions tests in May 2014 and July 2015, but agreed with other senior VW executives to continue the efforts.

Prosecutors filed the in-

dictment in March, but moved to make it public on Thursday "because there is no longer a belief that unsealing these documents will compromise an ongoing investigation," according to court documents.

Although the U.S. has periodically charged foreign executives for their alleged roles in financial crimes and other conspiracies, there have been few prior indictments of such high-ranking foreign executives in

Please see VW page B2

Facebook Has Dual Standard On Privacy

By DEEPA SEETHARAMAN

A small group of Facebook Inc. employees have permission to access users' profiles without the users finding out.

Yet any time a Facebook employee accesses a colleague's personal profile, the colleague is notified through what is often referred to within the company as a "Sauron alert"—a reference to the all-seeing eye in the Lord of the Rings trilogy, people familiar with the matter say.

Similar protections don't exist for the two billion-plus Facebook users who don't work for the company, the people said.

The dual standard for employees versus regular users is a window on Facebook's struggle over how much to disclose to users about how their data is handled—an issue Facebook has recently tried to address with a raft of changes.

A Facebook spokesman said the company has had discussions about issuing these types of alerts to all users. "In thinking about how we could do something similar for everyone, there are a number of important considerations that come into play—for example, how we can avoid tipping off bad actors or hindering our work to prevent real world harm in cases of abuse or other sensitive situations," the spokesman added.

The system can be abused: Earlier this week, Facebook fired a security engineer who had bragged to a woman he met on a dating app about his access to private user information, according to a person familiar with the matter.

"Employees who abuse these controls will be fired," Chief Security Officer Alex Stamos said of this week's incident.

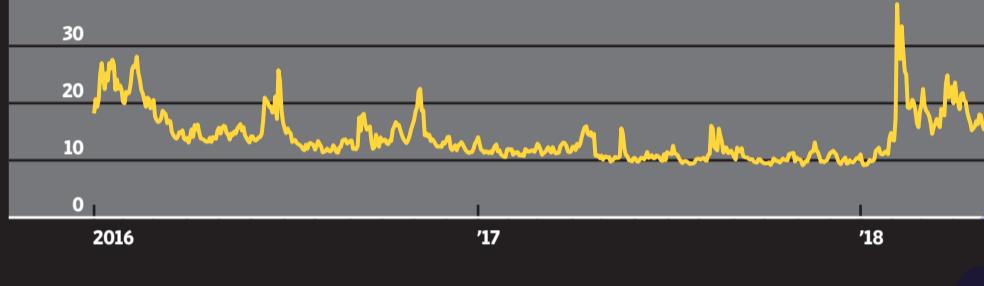
Facebook alerts users if they have been hacked by outsiders but doesn't inform them about employees' access. "Anyone can get alerts about unrecognized logins from other users and check for suspicious activity," the spokesman said.

The ability to log into Facebook as a user without needing that person's password is limited to a small group of security personnel and other employees. Their actions are closely monitored, current and former employees say.

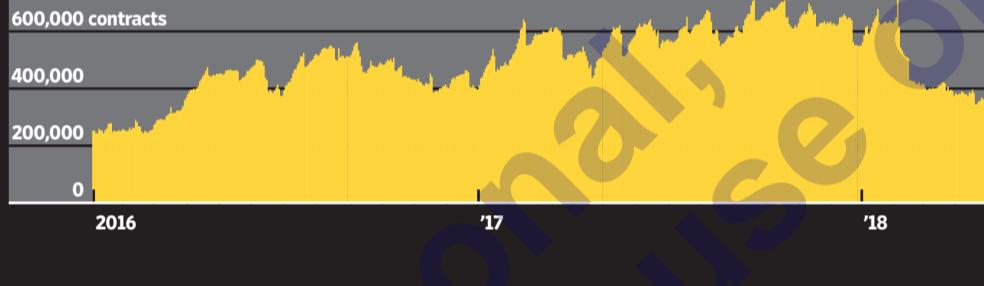
The privilege entitles these personnel to view information Please see PRIVACY page B4

Cboe's 'Fear Gauge' Isn't Measuring Up to the Tumult

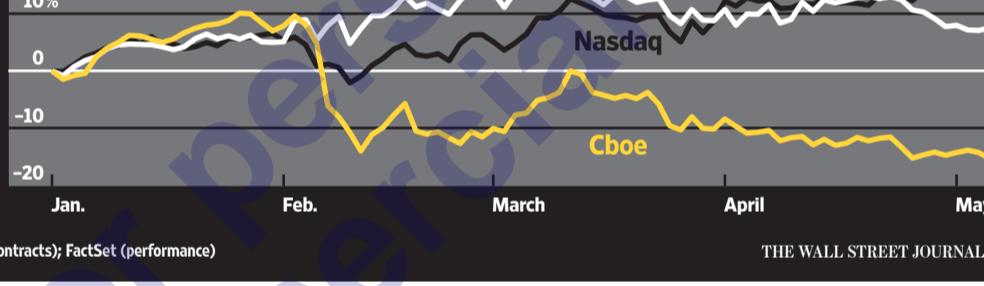
The Cboe Volatility Index, or VIX, jumped this year after a long stretch of calm in markets.



After climbing for years, the number of VIX futures outstanding has dwindled despite the turmoil.*



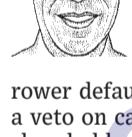
Cboe shares hit a record in January but are now lagging behind peers for the year.



The exchange operator's shares have tumbled 15% this year amid concerns about the reliability of volatility trading. B11

STREETWISE | By James Mackintosh

Watch Out: Junk Bonds Getting Junkier



One thing owners of junk bonds are usually sure of is that when the borrower defaults, they will get a veto on cash going to shareholders, to junior debtors or into new deals.

Not any more. Junk bonds financing private-equity firm KKR & Co.'s latest buyout subvert the usual order by allowing such payments to go ahead even after a formal default.

The \$1.4 billion of bonds, to repay temporary borrowing for the buyout of Unilever PLC's margarine business, mark a new low in the quality of covenants protecting lenders and are yet another sign of the wall of money chasing the higher yield on offer from junk

bonds. Several recent bonds have allowed what are known as restricted payments even when a company is in technical default—so that, for example, a planned takeover or joint venture wouldn't be derailed.

Flora Food Group, Unilever's business, appears to be the first explicitly to allow them after a formal "event of default," which should put creditors at the front of the line.

This matters when it comes to assessing the risk of the market as a whole. Junk-bond enthusiasts tend to highlight the yield spread over Treasurys, which in the U.S. is much higher now than it was at the end of the last bull market in 2007 and about where it stood in 2014.

But the weakening of cov-

enants means that losses are likely to be bigger if there is another wave of defaults, which ought to justify lower prices, and so higher spreads over Treasurys.

Weaker covenants also have taken away much of the possible upside if the company performs surprisingly well, in part by allowing early repayment with fewer penalties.

If shareholders get more of the gains when things go well and bondholders get more of the pain when they go badly, bondholders ought to pay less to take on that risk. Adjust for this and the comparison with 2007 looks less reassuring.

This subversion of the priority of creditors is a concerning point of principle, but might be less important

Please see STREET page B2

Junk Sale

U.S. junk-bond spreads over Treasurys are near postcrisis lows, but still above 2007 levels.

ICE BofAML U.S. High Yield index, option-adjusted spread



Source: ICE via Federal Reserve Bank of St. Louis

THE WALL STREET JOURNAL.

Twitter Finds Password Bug

Site urges users to change passwords because of glitch that left them visible..... B5

Nike CEO Apologizes To Staff

By SARA GERMANO

Nike Inc. Chief Executive Mark Parker apologized to employees Thursday for allowing a corporate culture that excluded some staff and failed to take seriously complaints about workplace issues, according to people familiar with the matter.

The rare all-staff meeting at the sneaker giant's headquarters follows weeks of turmoil, including the departures of several senior executives and internal complaints of inappropriate behavior.

Mr. Parker spoke in a crowded theater at the Tiger Woods Conference Center on the Beaverton, Ore., campus. The Nike veteran and CEO since 2006 apologized to those who felt excluded and felt like they didn't have anyone to

Please see NIKE page B6

INSIDE



ACTIVISION BLIZZARD IS ON TOP OF ITS GAME

EARNINGS, B3

Theranos Hurt Big Names

By JOHN CARREYROU

A who's who of government, business and international finance lost a total of more than \$600 million they had invested in scandal-plagued Theranos Inc., according to previously sealed documents made public in a lawsuit.

High on the list is Education Secretary Betsy DeVos, whose family invested \$100 million in the Silicon Valley blood-testing company, the documents show. Mrs. DeVos had previously disclosed that her family was a Theranos investor in a government filing, but the size of the investment wasn't known.

"The investment was made by many members of the DeVos family," not just Mrs. DeVos, said Greg McNeilly, chief oper-

ating officer of Windquest Group, Mrs. DeVos and her husband's family holding company. "To say they're highly disappointed in Theranos as a company and an investment is an understatement."

President Donald Trump's education secretary is among a number of prominent figures who poured money into Theranos between 2013 and 2015 before a series of Wall Street Journal articles revealed that the company was encountering problems with its technology and misleading its investors.

These investments now are essentially worthless. In an April 10 email to shareholders reviewed by the Journal, Theranos founder Elizabeth Holmes raised the likelihood that the company would be liquidated

by August. Earlier that day, she informed most of Theranos's remaining 125 employees they would lose their jobs and paychecks on June 12, according to people familiar with the matter.

Other investors facing big losses include the heirs of Walmart Inc. founder Sam Walton, members of Atlanta's billionaire Cox family, Mexican tycoon Carlos Slim, the scion of a Greek shipping fortune and members of a South African diamond dynasty, according to the documents, which Theranos provided to the lawsuit's plaintiffs as part of the discovery phase of the case. Rarely have so many high-profile figures been known to have lost so much money on a single investment.

Ms. Holmes claimed she had

Please see LOSSES page B2

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weighing converting, too, and are likely to watch KKR closely to see if a change in its stock price outweighs any hit to the bottom line because of a higher tax rate.

KKR, which said the change will be effective July 1, will become the second among its peers to move forward with a conversion. **Ares Management** LP became a corporation on March 1. **Blackstone Group LP**, **Apollo Global Management** LLC, **Carlyle Group** LP and other peers have expressed caution, citing the expected hit to their profits.

"We're monitoring carefully all aspects of the issue. We're not in a hurry," said Blackstone Chief Financial Officer Michael Chae on a recent earnings call. "This is a race that does not necessarily go to the swift, and you have one shot at making a thoughtful decision."

Activist-investment firm ValueAct Capital Management LP, which owns roughly \$1.1 billion of KKR stock, or about 6% of total shares outstanding, has advocated for the structural shift.

"This conversion will help to further expose a great business to a broader universe of potential investors, and increase long-term value for all shareholders," said Mason Morfit, chief investment officer of ValueAct, in an emailed statement.

Shares of KKR rose 3% to \$22.14 Thursday as it announced the change along with a lower quarterly profit than a year earlier.

Robert Willens, an independent tax analyst in New York, said he was surprised that KKR made the switch and said he was unsure whether the change to corporate status would produce the increase in investors that KKR is hoping for.

BUSINESS NEWS



Gamers played Activision's 'Overwatch' in Tokyo last year.

In-Game Spending Bolsters Activision

BY SARAH E. NEEDLEMAN
AND AUSTEN HUFFORD

Activision Blizzard Inc. reported record first-quarter results Thursday, with revenue and profit rising by double-digit percentages thanks to increased in-game spending in key titles such as "Call of Duty: World War II" and "Candy Crush Saga."

While the company didn't put out any significant new releases during the quarter, it said revenue increased 14% to \$1.97 billion from the year-earlier period.

The company posted a profit of \$500 million, or 65 cents a share, up 17% from \$426 million, or 56 cents a share.

Activision Blizzard exceeded its own forecast for first-quarter revenue by \$145 million and profit by 18 cents a share.

"Our business is strong on all fronts," Chief Executive Bobby Kotick told The Wall Street Journal.

The "Call of Duty" publisher raised its full-year outlook slightly and said it now expects revenue of \$7.36 billion and profit of \$1.79 a share.

Dow Jones Newswires, the professional business-information service operated by The Wall Street Journal's publisher, inadvertently published select earnings results, including an incorrect revenue number, for Activision's latest quarter ahead of their scheduled release. The company then released its full earnings report during trading hours on Thursday.

Shares in Activision, which declined as much as 6% after the early report, closed down 2.3% at \$66.82.

"We regret our error as well as inadvertently breaking the embargo," Dow Jones said in a written statement. "We have issued a correction and are reviewing our processes."

In its earnings report, Activision Blizzard said the January launch of a league for its "Overwatch," a cartoonish shooter videogame, has attracted millions of viewers, boosting combined play and watch times. Other game makers are trying to create leagues that mirror the structure of traditional professional athletics, including Take-Two Interactive Software Inc. and Riot Games Inc.

Musk's Nerve Tests Limits

Some analysts wonder if dismissive stance on call served to mask problems at Tesla

BY TIM HIGGINS

Elon Musk's swagger has helped win admirers and embolden Tesla Inc. investors. This time, the billionaire chief executive may have gone too far.

On Thursday, Tesla's shares fell 5.6%, erasing about \$3 billion in market value a day after Mr. Musk sparred with Wall Street analysts in a show of defiance rare for traditionally staid conference calls to discuss a company's quarterly results.

Several analysts reconsidered their outlooks for the Silicon Valley auto maker struggling to take on the century-old automotive industry.

Chief executives of publicly traded companies typically grit their teeth and coolly dance around pointed questions during these calls. Mr. Musk chose instead to dismiss analysts over their "boring, bonehead" questions, cutting off two of them when they asked about Tesla's capital requirements and customer reservations for the Model 3 sedan.

"This is a financial analyst call—this is not a TED talk," Toni Sacconaghi, an analyst with Sanford C. Bernstein & Co., said on CNBC Thursday after he was cut off by Mr. Musk on the call. "So when financial questions are asked, they should be addressed."

In some ways, the combativeness was classic Elon Musk. The billionaire entrepreneur has made defiance of convention his calling card in a relentless pursuit to upend transportation, and in his eyes, save the world with driverless electric cars and rocket launches to Mars. He fires off Twitter posts at late hours rebutting critics who he believes get in the way, and he often makes grandiose statements about the future of technology.



"Boring, bonehead questions are not cool—next."

Tesla CEO Elon Musk

Mr. Musk's bravado has polarized investors, pitting short sellers who are sure Tesla is headed for demise, against the "longs" who believe his vision will win out. The backers have so far prevailed, giving Mr. Musk room to make, and sometimes miss, overly ambitious goals and lifting Tesla's market value to rival those of General Motors Co. and Ford Motor Co., much larger auto makers.

But even for Mr. Musk, the impertinent answers to analysts from big banks was jarring and raised questions whether he was masking Tesla's problems.

On the call, he seemed more eager to talk about the future of Tesla—self-driving cars or the next electric vehicle—than the state of the business after the Silicon Valley auto maker burned through about \$1 billion during the first quarter as production struggles continued to beset the Model 3 sedan.

Following the call, which

was broadcast for investors online, analysts sent notes to clients that characterized Mr. Musk's exchange as "bizarre theatrics" and "odd," and said Mr. Musk might have struck some as being "dismissive" and "unhinged." At least three analysts dropped their price targets.

Late Wednesday, while Mr. Musk began deflecting questions on the call, Tesla's stock fell more than 5% in about a 20-minute span during after-hours trading.

Mr. Musk's frustration bubbled up about a half-hour into the call when Mr. Sacconaghi asked about Tesla's target date for achieving 25% gross margins on the Model 3—which, the analyst said, the company seemed to have pushed back by six to nine months from the goal stated just last quarter.

Chief Financial Officer Deepak Ahuja attributed the delay, in part, to added labor costs and a weak dollar. Mr.

Musk interrupted to say the gross-margin difference is a matter of three to five percentage points and will be resolved in three to six months.

"Don't make a federal case out of it," he said.

Mr. Sacconaghi, who co-wrote a report last month questioning Tesla's ability to automate its factory, then turned to the company's investment plans. Tesla had previously said it expected spending this year to about match last year's \$3.4 billion, but on Wednesday announced it was scaling back plans to less than \$3 billion, which could ease its cash crunch.

When Mr. Sacconaghi asked what the company's specific capital requirements would be, Mr. Musk cut him off.

"Boring, bonehead questions are not cool—next," Mr. Musk said, turning to the operator for the next question.

—Ben Eisen
contributed to this article.

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TECHNOLOGY

Xiaomi Is on Track for Year's Biggest IPO

Chinese smartphone maker seeks to raise \$10 billion as it shifts to software and services

BY DAN STRUMPF
AND JULIE STEINBERG

HONG KONG—**Xiaomi** Corp., one of China's largest and best-known smartphone brands, is on course to launch the biggest stock sale the world will see this year. Its success hinges on whether it can convince investors that it is more than just a gadget company.

The Beijing-based company Thursday laid the groundwork for a blockbuster initial public offering in Hong Kong, capping a remarkable turnaround for what only 18 months ago was looking like one of China's biggest tech flameouts.

Now, Xiaomi has to justify the sky-high valuation it is seeking.

While the company didn't disclose the terms of its stock sale in its filing with the Hong Kong stock exchange, people familiar with the matter say it is looking to raise at least \$10 billion in the deal.

The listing will likely value Xiaomi at less than \$100 billion, according to people familiar with the matter, a figure lower than previously had been discussed. Xiaomi declined to comment on the valuation.

Investors are being asked to buy into Xiaomi's transition from a maker of hardware into a provider of software and ser-



Xiaomi's low-cost phones have won it a loyal fan base in China, India and other emerging markets.

GIULIA MARCHI/BLOOMBERG NEWS

vices, a shift that other big tech companies have been making as both hardware margins and the smartphone market shrink.

Xiaomi also has its eye on bigger sales overseas, including in the U.S., at a time when Washington has been targeting other Chinese phone makers and tech companies.

That all could prove to be a tough sell for Xiaomi. The company, revealing its financial results for the first time, said its share of revenue from internet services fell to 8.6% last year from 9.6% in 2016. A person familiar with the matter said this is the company's most profitable segment.

Xiaomi drew 70% of its \$18

billion in revenue from smartphone sales last year.

"The whole premise of the business model is generating revenue from internet services," said Neil Shah, an analyst at Counterpoint Research, which follows the smartphone industry. "Ideally, the services revenue would be much higher to give confidence to investors."

Xiaomi, founded in 2010 by Chinese entrepreneur Lei Jun, is the world's fourth-largest smartphone vendor, trailing Samsung Electronics Co., Apple Inc. and Huawei Technologies Co. It also makes such devices as internet-connected rice cookers, body weight scales

and electric scooters, all connected through a software platform known as MIUI. Xiaomi said it had 190 million MIUI monthly active users as of March.

Its low-cost yet stylish phones, such as its Redmi series, have won it a loyal and often passionate fan base in China, India and other emerging markets.

In March, it launched a new version of its Mi Mix 2 flagship phone priced at 3,299 yuan (\$518). At the launch event at a stadium in Shanghai, Mr. Lei frequently compared the phone to Apple's iPhone X, boasting of better photography, longer battery life and a lower price tag.

Dialing Up

Xiaomi's IPO would be the third-largest tech stock sale globally, based on its expected target of raising at least \$10 billion.

Top 10 technology IPOs

Alibaba Group 2014, New York	\$25.0 billion
Facebook May 2012, Nasdaq	16.0
Xiaomi 2018, Hong Kong	10.0
Infineon Technologies 2000, Frankfurt/New York	5.9
Agere Systems 2001, New York	4.1
Snap 2017, New York	3.9
Worldpay Group 2015, London	3.8
Japan Display 2014, Tokyo	3.1
First Data 2015, New York	2.8
World Online International 2000, Amsterdam	2.8

Sources: Dealogic; staff reports (Xiaomi)

THE WALL STREET JOURNAL.

is expected to be followed shortly by a listing on the Chinese mainland, according to people familiar with the matter.

Of major importance for Xiaomi is its continued success overseas, where it made nearly a third of its revenue last year.

On Thursday, the company unveiled an alliance with CK Hutchison Holdings Ltd. in which the conglomerate will sell Xiaomi devices through stores in Austria, Denmark, Hong Kong, Ireland, Italy, Sweden and the U.K.

—Kenan Machado contributed to this article

◆ Heard on the Street: Xiaomi has to dial back hype..... B12

Hacking Fears Revive Windows

BY JAY GREENE

A sharp increase in cyberattacks gave Microsoft Corp.'s ubiquitous Windows operating system the kind of lift it hasn't seen in years, as fears of getting hacked prompted companies to upgrade their computers faster than they otherwise might have.

When the software giant reported quarterly earnings last week, it surprised several analysts, notching an 11% jump in sales of Windows 10 licenses for computers sold primarily to corporate customers, from a year earlier.

Bulk sales of Windows licenses and related cloud services, meanwhile, jumped 21%. Windows 10 is Microsoft's most-current version of its operating system and used widely in computers worldwide.

Cyberattacks plagued corporations last summer, rendering PCs running older and unpatched versions of Windows useless, leading some corporate tech buyers to upgrade.

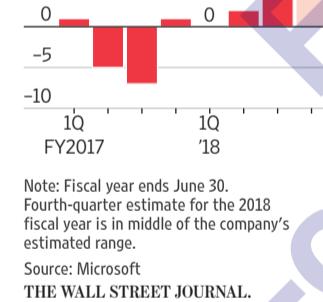
The increases were especially notable, analysts say, because personal-computer shipments world-wide had no growth in the period, according to International Data Corp.

Also, sales growth in the unit that houses Windows, called More Personal Computing, had been moribund for

New Opening

Windows, a part of Microsoft's More Personal Computing segment, is benefiting from companies' fears of cyberattacks.

Change in More Personal Computing revenue from previous year



Note: Fiscal year ends June 30. Fourth-quarter estimate for the 2018 fiscal year is in middle of the company's estimated range.

Source: Microsoft

THE WALL STREET JOURNAL.



The WannaCry and Petya cyberattacks highlighted vulnerabilities in older and inadequately patched versions of Windows.

ELAINE THOMPSON/ASSOCIATED PRESS

years.

What's more, Microsoft said revenue for the segment that includes Windows, an aging franchise whose epitaph has been regularly written, is expected to grow about 13% in the current quarter.

The optimistic forecast for Windows comes as the company is downgrading the operating system's importance.

Cedars-Sinai Health System in Los Angeles is close to completing its upgrade of

nearly 20,000 computers to the nearly three-year-old Windows 10, said Darren Dworkin, the system's chief information officer.

Although the upgrade didn't come about because of cyberattacks, Mr. Dworkin said he is worried about them.

"There are more reasons now for wanting to keep current," Mr. Dworkin said.

The number of data breaches in the U.S. jumped

45% to 1,579 in 2017, according to the nonprofit Identity Theft Resource Center and data-security firm CyberScout.

The WannaCry and Petya cyberattacks in 2017 highlighted glaring vulnerabilities of older and inadequately patched versions of Windows.

The attacks, which locked digital files and demanded payment for them to be released, disrupted operations at the British health agency as well as car factories in France,

a law firm in the U.S. and elsewhere.

In targeting older Windows versions, those attacks helped boost Windows 10 sales.

Windows also benefits from being the operating system of choice for corporate customers, said Patrick Moorhead, an analyst with the research firm Moor Insights & Strategy.

Some version of the operating system is on 88% of the world's desktops and laptops connected to the web, accord-

ing to analytics website NetMarketShare.

"There's not an easy replacement for the Windows PC," Mr. Moorhead said.

One reason for Microsoft's upbeat expectations for the current quarter is that even though there are nearly 700 million devices—mostly PCs but tablets, Xbox machines and other devices—running Windows 10, there are an additional 800 million devices running older versions.

cess to anyone's account?"

At the time, Facebook responded by explaining the controls were in place to prevent abuse. Mr. Siljamäki didn't respond to a request for comment this week.

The latest incident in which the Facebook employee was surfaced publicly in a tweet Sunday by security consultant Jackie Stokes that included a photo of what appeared to be a text exchange between the woman from the design site and the engineer.

The engineer told her his job involved tracking hackers and finding their identities, according to an apparent transcript of the conversation posted on Twitter by Ms. Stokes.

Ms. Stokes said in an interview that the woman told her, "I'm terrified. I think he has things on me." The woman, asked via Ms. Stokes, declined to be interviewed.

After Ms. Stokes's tweets, Facebook employees including Mr. Stamos, the chief security officer, contacted her about the episode.

—Robert McMillan contributed to this article.

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PRIVACY

Continued from page B1
that users typically consider private, one of the people said.

Employees with such permission can access others' accounts to diagnose technical errors, test new features or investigate possible criminal behavior in response to a legal request, according to Facebook officials and former employees.

When using the internal software, Facebook employees must give a legitimate reason for accessing the profile; the explanations are read by managers later. It is considered best to have written permission, former employees said.

Facebook employees have been fired for improperly accessing user profiles over the years, according to former employees. Unauthorized access of others' profiles, even if the spouse or minor child of an employee, is a fireable offense, one of the people said.

Employees, though, are always notified when Facebook engineers access their accounts,

even when the company is investigating a possible crime or wrongdoing, the person said.

The internal alert system was created because Facebook engineers were routinely testing future products or fixing technical issues using employee profiles, the person said. The official name of the tool was changed in 2015 to "Security Watchdog," but the Sauron name is still widely used, the person added.

The Sauron notification has been available for years, the people familiar with the matter said. Employees typically get an email or a notice to their Facebook account. Employees can often uncover the reasons for that access through an internal bug report or by flagging it to Facebook's security team.

Lawmakers, Facebook users and others have voiced concern about the company's sometimes lax policies for controlling the vast stores of information it collects on people.

Partly in response to those concerns, Facebook has provided users with more information about the kind of data it tracks as well as more options

to remove that data. It redesigned its app and tried to make it simpler for users to examine and change some of the data Facebook tracks.

This week, Chief Executive Mark Zuckerberg announced that the company would provide a way for users to see and delete web activity that Facebook tracked.

But there remains a gulf between what Facebook knows about its users and what many of them understand about the company's capabilities.

Three years ago, Paavo Siljamäki, a director at the record label Anjunabeats and part of the dance music group Above & Beyond, said in a Facebook post that an engineer for Facebook had accessed his account during his visit to the company's Los Angeles office. Mr. Siljamäki said he had given his permission, but not his login credentials.

"A Facebook engineer can then log in directly as me on Facebook seeing all my private content without asking me for the password," Mr. Siljamäki wrote. "Just made me wonder how many of Facebook's staff have this kind of 'master' ac-

cess to anyone's account?"

At the time, Facebook responded by explaining the controls were in place to prevent abuse. Mr. Siljam

TECHNOLOGY

Twitter Urges Password Resets

BY GEORGIA WELLS

Twitter Inc. on Thursday said it found a bug in how it stored user passwords that could have left them visible to people in its internal computer system.

Twitter urged its users to change their passwords, but said an investigation showed no indication of a breach.

"We are very sorry this happened," Twitter's chief technologist Parag Agrawal said in a blog post. Twitter's disclosure came on Thursday, a day that corporations and some government officials observe as "World Password Day."

To protect users' passwords, Twitter uses a common technology that masks passwords so that no one within Twitter can view them. The mistake Twitter identified on Thursday undid this layer of security protection.

The company uses a cryptographic technique to convert

users' passwords into a unique string of letters and characters, called a hash, which is stored on Twitter's servers and used to authenticate login attempts.

But, due to the bug, Twitter ended up storing the passwords before this hashing process had been completed, meaning that they could have been stolen by a hacker or an insider with access to Twitter's internal networks. Twitter didn't say how many accounts were affected.

Previous security flaps at Twitter have been more serious. In 2016, Twitter notified millions of users that their accounts were at risk of being taken over after a database containing nearly 33 million purported usernames and passwords for Twitter accounts was made public.

Twitter users can change their passwords by going to the password settings page.

—Robert McMillan contributed to this article



SAMSUNG C&T/YONHAP/REUTERS

Samsung C&T stockholders voted on the takeover offer from Cheil Industries during a general meeting in Seoul in 2015.

Samsung Deal Roils Again

BY TIMOTHY W. MARTIN AND EUN-YOUNG JEONG

SEOUL—The merger of two Samsung affiliates in 2015 is drawing fresh scrutiny this week, wiping out billions of dollars of stock-market value and creating new headaches for South Korea's biggest conglomerate.

The country's financial regulators issued a warning Tuesday to Samsung BioLogics Co., the conglomerate's contract drug-manufacturing arm, for alleged accounting irregularities. In the wake of the news, shares in the company—which figures into the 2015 merger—plunged, erasing \$6 billion in market capitalization over two days.

Meantime, U.S. activist hedge fund **Elliott Management Corp.** said this week that it is taking legal action against the South Korean government for its role in approving the merger of **Samsung C&T Corp.** and Cheil Industries Inc., which created a de facto holding company in which third-generation

heir Lee Jae-yong wound up holding a large stake.

At the time of the merger in 2015, the deal drew criticism from foreign investors and corporate-governance advocates, including Elliott, which saw it as unfair to minority shareholders. Elliott opposed the deal and rallied shareholders against it.

A warning by Korean regulators triggers a stock sell-off in Samsung BioLogics.

sung Electronics Co. Mr. Lee has denied wrongdoing.

The surrounding scandal also led to the conviction of South Korea's then-President Park Geun-hye on multiple charges including bribery.

The renewed scrutiny of the deal could mean continued turbulence for the Samsung conglomerate, several months after Mr. Lee was released from prison on a suspended sentence. It also shines a spotlight on South Korea's National Pension Service, the world's fourth-largest pension fund.

Samsung BioLogics's accounting methods drew regulators' attention because the company, in which Samsung C&T held a 43% stake as of the end of 2017, changed its accounting practices in the run-up to the 2015 merger. That allowed the drug manufacturer to report a rise in profit following years of losses—a reversal of fortune that some skeptics suspect was engineered to sweeten the deal's prospects.

On Tuesday, South Korea's Financial Supervisory Service

issued a preliminary notice to Samsung Biologics and its auditors, contending the company violated accounting rules. The subsequent two-day sell-off erased roughly one-fifth of the company's market value, pushing shares to their lowest level in three months.

A Samsung Biologics spokesman said the company would cooperate with the investigation, adding that it had changed its accounting methods in 2015 because a shareholder, Biogen Inc., wanted to boost its equity stake, requiring the adoption of the new standard. The spokesman said external auditors had later signed off on the move.

If financial regulators conclude Samsung Biologics breached accounting rules, the drug manufacturer could be subject to a fine of up to 20% of its accounting-fraud value and have its trading suspended, Seo Mi-hwa, an analyst for Yuanta Securities Korea, said in a note to clients Thursday.

Financial regulators haven't said when they will make a final decision on the probe.

Equifax Directors Hold Seats

BY ANNAMARIA ANDRIOTIS

Equifax Inc. shareholders voted to re-elect all of the company's board members who were on the ballot, though several directors including the board's chairman received a significant number of votes against their re-election.

The company announced the tallies Thursday after its annual shareholder meeting, the first since it disclosed a major data breach last September in which personal information on 147.9 million U.S. consumers was compromised.

Board Chairman Mark Feidler received about 64% of the votes tallied in favor of re-election with about 35.5% voting against him and a tiny share abstaining. Board member John McKinley received

the second most votes against re-election, with about 64.6% voting in his favor. A third, Mark Templeton, received 68.2% of the vote in his favor.

The three were on the technology committee during the breach. CtW Investment Group advised against their re-election.

Equifax released a statement from Mr. Feidler saying "that while progress has been made since the cybersecurity incident, there is still more work to do, and we will continue to be in regular contact with our shareholders."

Proxy advisory firm Institutional Shareholder Services Inc. had called for the defeat of the three men as well as G. Thomas Hough and Elaine Stock. Mr. Hough won with 78.8% of the shares. Ms. Stock won with nearly 80%.

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BUSINESS NEWS

GE Weighs Chapter 11 for Subprime Unit

Firm says bankruptcy would let arm WMC Mortgage deal with potential legal losses

BY KATY STECH FEREK
AND THOMAS GRYTA

General Electric Co. warned it might put its dormant subprime mortgage business, long plagued by legal trouble, into bankruptcy protection.

A bankruptcy filing could be a way for the lender, **WMC Mortgage**, to deal with potential courtroom losses and

other future liabilities, the company said late Tuesday in a filing with the Securities and Exchange Commission.

A GE spokeswoman declined to comment beyond the filing.

GE recently set aside a \$1.5 billion reserve related to a Justice Department investigation into the WMC Mortgage business, which stopped nearly all new loan origination in 2007.

WMC Mortgage was a large mortgage lender to people with low credit scores before the financial crisis. **GE Capital** Corp., the company's finance unit, bought the subprime

lender in 2004 and sold the operation's assets in 2007 after racking up about \$1 billion in losses in that year alone. Even though WMC Mortgage's assets were sold, it is still part of GE Capital.

Putting WMC Mortgage into bankruptcy protection would make GE the latest major corporation to use the chapter 11 process to deal with years-old mortgage problems in court. **Ally Financial Inc.**, **General Motors** Co.'s ex-financing arm, put its mortgage business into bankruptcy in 2012 as a way to get out from under billions of dollars in lawsuits. The WMC Mortgage bankruptcy

warning in GE's filing was earlier reported by CNN.

It is unclear how much exposure GE could shed by putting WMC Mortgage into

\$3.4B

GE faces this much in claims from mortgage-related lawsuits

bankruptcy. The process could accelerate settlements that GE agrees to fund. At a minimum, the filing would temporarily

stop litigation against the unit as it looks to cap its exposure.

In the SEC filing, GE officials said they are having trouble estimating the exact loss the company could face from the Justice Department investigation and several lawsuits involving the subprime business.

In February, GE disclosed that government officials are likely to claim the business violated federal lending laws in 2006 and 2007.

One case against WMC Mortgage involving \$800 million in loans went to trial this year in federal court in New Haven, Conn. Testimony in-

cluded examples of individual applicants applying for multiple loans within weeks of each other, while showing drastically higher income or misrepresenting other information on documents. Closing arguments are scheduled for June.

The total claims GE faces tied to the mortgage-related lawsuits is \$3.4 billion, according to regulatory filings. The company already had set aside a reserve for the lawsuits, standing at \$342 million at the end of March, but said in Tuesday's filing it could face as much as \$500 million in additional losses.

Studio Relativity Media Re-Enters Bankruptcy Protection



Troubled upstart film studio **Relativity Media** LLC, which emerged from a previous stint in bankruptcy protection about two years ago, filed for chapter 11 again Thursday with a deal to sell its assets to a joint venture that intends to revitalize the studio.

Since Relativity's first bumpy ride through chapter 11, founder

and Chief Executive Ryan Kavanaugh has been unable to raise any meaningful investment to resuscitate the company, which has laid off or furloughed nearly all of its staff. Colin Adams, Relativity's newly retained chief restructuring officer, is now managing the company's affairs, according to court papers.

The venture, UltraV Holdings LLC, will acquire Relativity's assets, which include a valuable distribution deal with **Netflix** Inc., through a bankruptcy-sale process, giving the studio another reboot. The sale, which Relativity hopes to close within 45 to 60 days, is subject to approval from Judge Michael Wiles of the U.S.

Bankruptcy Court in New York, who also oversaw Relativity's first chapter 11 case.

On Thursday, the studio, whose films include "The Fighter," with Mark Wahlberg, pegged its total liabilities at more than \$500 million with total assets valued somewhere between \$10 million and \$50 million.

NIKE

Continued from page B1
turn to about their situation, the people said.

The Wall Street Journal in March reported that Nike was investigating allegations of inappropriate behavior after a group of women at the company had circulated a survey that reached Mr. Parker. Last month, the Journal reported on flaws in Nike's human-resources department and employees' complaints of a boys club culture at the company.

Mr. Parker sent an email to staff earlier Thursday inviting them to the meeting and saying he wanted "everyone to know that I'm personally committed to making Nike a place where everyone can thrive in an environment of respect, empathy, and equal opportunity for all."

In recent days, Nike has promoted two women to senior leadership roles. On Monday, Amy Montagne was named vice president and general manager of global categories, giving her oversight of several major business units, including women's, running, training and basketball.

Last week, the company named Kellie Leonard as its new chief of diversity and inclusion.

Ms. Montagne and Ms. Leonard, Nike veterans with more than a decade apiece at the company, filled positions vacated in recent weeks by men. Ms. Montagne was previously head of Nike's women's business, while Ms. Leonard was formerly vice president of communications.

Several senior male employees have abruptly left Nike or resigned their positions since March, including the No. 2 executive, Trevor Edwards. Mr. Edwards resigned from his position and will retire from the company in August. He hasn't responded to requests for comment.

According to interviews with current and former employees, several issues at Nike hastened the recent upheaval. Last year, a group of female employees began circulating an informal survey to take stock of what they considered to be disparities in pay and promotions for women at the company, as well as alleged inappropriate behavior. The survey was brought to the desk of Mr. Parker earlier this year, these people said.

Also last year, Mr. Parker instructed the head of human resources to leave the company, following at least two internal investigations into his management, according to people familiar with the matter.

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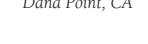
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BUSINESS WATCH



A cookie line at a Kellogg factory in Russia. The food maker did well in emerging markets.

NATURAL GROCERS Chain Reports Robust Results

Natural Grocers by Vitamin Cottage Inc. reported robust sales and increased its 2018 outlook for same-store sales.

The Colorado-based chain reported same-store sales growth of 7.1% in the second quarter, far better than most other grocers.

The Whole Foods rival used a large portion of savings from the federal tax bill to cut prices, moves that helped drive store traffic.

Competition is fueling promotions and aggressive pricing to keep customers coming to stores. The efforts have weighed on profits, with Natural Grocers seeing its margins decline during the quarter.

—Heather Haddon

KELLOGG

Pringles and Eggo Provide a Boost

Kellogg Co. said Pringles chips, Eggo frozen waffles and demand in emerging markets helped the food maker post a strong quarter even as cereal sales in the U.S. remained soft.

Kellogg's revenue rose 4.7% to \$3.4 billion in the first quarter, helped by last year's \$600 million acquisition of protein-bar maker

RXBAR. On a comparable basis, sales were up 0.6%.

Kellogg's quarterly profit rose 11% to \$1.19 a share on an adjusted basis. The company's business in West Africa led to improved guidance for the year. It now expects sales growth of 3% to 4% and adjusted earnings per share growth of 9% to 11%, both excluding the impact of foreign-currency translation.

—Annie Gasparro

NEW YORK TIMES

Digital Subscriptions Bolster Revenue

New York Times Co. posted a 3.8% rise in revenue for the first quarter as continued growth in digital subscriptions offset a weak stretch for the company's online advertising business.

Revenue from subscriptions increased 7.5% in the period to \$260.6 million, even as growth has slowed from peaks reached near the 2016 presidential election. The company had a net increase of 139,000 digital-only subscribers in the first quarter, down from 348,000 in the year-earlier period. In both cases, the figures include crossword subscriptions.

Digital-advertising revenue fell 6% on a year-over-year basis to \$46.7 million.

The Times ended the first quarter with more than 3.7 million subscribers, including 2.8

million digital subscribers, with subscription revenue making up 63% of its top line. Print advertising declined 1.8% to \$78.9 million, the smallest year-over-year decline since 2015.

The company posted a profit of \$21.9 million, or 13 cents a share, compared with a profit of \$13.2 million, or 8 cents a share, in the same period a year before. On an adjusted basis, the company brought in 17 cents a share.

—Austen Hufford

UNITED AIRLINES

Carrier Recruits White House Ex-Aide

United Airlines said Thursday it had tapped former White House press chief Josh Earnest to lead its communications team, part of the effort to improve the fortunes of a carrier damaged by everything from poorly received growth plans to the death of a dog in an overhead bin.

Mr. Earnest, a former press secretary under President Barack Obama, has been hired as a senior vice president at parent **United Continental Holdings** Inc. to oversee communications for a carrier that is a touchstone for the fortunes of the U.S. airline industry.

He succeeds Jim Olson, who joined from **Starbucks** Corp. and departed after two years last December.

—Doug Cameron

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

23930.15 ▲ 5.17, or 0.02%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.63 20.46
 P/E estimate * 16.17 17.83
 Dividend yield 2.23 2.34
 All-time high 26616.71, 01/26/18

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract			Open	High	Low	Settle	Chg	Open interest
	Open	High	Low	Settle	Chg	Interest			
Copper-High (CMX) -25,000 lbs.; \$ per lb.									
May	3.045	3.0940	3.0410	3.0590	0.0115	3,510			
July	3.0635	3.1215	3.0565	3.0805	0.0120	133,916			
Gold (CMX) -100 troy oz.; \$ per troy oz.									
May									
June	1305.50	1319.00	1305.20	1312.70	7.10	328,129			
Aug	1312.00	1325.20	1312.00	1319.00	7.20	87,386			
Oct	1319.30	1330.90	1319.00	1325.10	7.10	9,241			
Dec	1325.40	1337.30	1325.40	1331.60	7.20	61,281			
Dec'19	1370.00	1374.20	1370.00	1371.10	7.10	3,669			
Palladium (NYM) -50 troy oz.; \$ per troy oz.									
June	955.20	967.60	954.90	958.70	-1.45	17,052			
Sept	956.95	963.65	951.45	955.05	-1.15	5,721			
Dec	942.20	956.65	941.30	951.35	-1.60	263			
Platinum (NYM) -50 troy oz.; \$ per troy oz.									
June	898.20	902.80	898.20	901.40	10.00	45			
July	896.40	907.60	895.10	904.00	10.20	75,779			
Silver (CMX) -5,000 troy oz.; \$ per troy oz.									
May	16.370	16.530	16.340	16.362	0.071	1,128			
July	16.405	16.620	16.385	16.447	0.072	141,535			
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.									
June	67.66	68.60	67.21	68.43	0.50	516,664			
July	67.57	68.43	67.10	68.26	0.49	289,723			
Aug	67.15	68.00	66.72	67.80	0.45	161,720			
Sept	66.60	67.44	66.22	67.22	0.40	239,502			
Dec	65.01	65.79	64.66	65.62	0.44	295,785			
Dec'19	58.66	59.43	58.65	59.34	0.41	156,382			
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.									
June	2.1126	2.1268	2.1011	2.1127	-0.0088	140,418			
July	2.1054	2.1204	2.0935	2.1072	-0.0068	90,770			
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.									
June	2.0712	2.0936	2.0529	2.0875	0.0077	161,215			
July	2.0719	2.0929	2.0547	2.0875	0.0072	91,272			
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.									
June	2.760	2.773	2.700	2.726	-0.028	268,771			
July	2.797	2.810	2.739	2.759	-0.032	199,159			
Sept	2.787	2.798	2.730	2.747	-0.034	136,625			
Oct	2.799	2.810	2.742	2.758	-0.035	123,036			
March'19	2.888	2.895	2.848	2.860	-0.030	88,222			
April	2.593	2.600	2.564	2.575	-0.023	89,776			

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
Agriculture Futures								
Corn (CBT) -5,000 bu.; cents per bu.								

May	396.00	399.50	395.00	399.50	3.50	4,303
July	404.75	408.25	403.25	408.00	3.00	835,780
Oats (CBT) -5,000 bu.; cents per bu.						
May	226.00	226.00	226.00	225.75	.25	3
July	236.00	237.50	236.00	237.00	1.00	4,787
Soybeans (CBT) -5,000 bu.; cents per bu.						
May	1032.75	1038.75	1024.75	1043.25	10.50	3,561
July	1043.00	1055.50	1033.00	1053.25	10.25	431,846
Soybean Meal (CBT) -100 tons; \$ per ton.						
May	398.60	400.00	395.20	398.40	-1.60	2,490
July	399.10	401.40	395.50	398.60	-2.10	260,286
Soybean Oil (CBT) -60,000 lbs.; cents per lb.						
May	30.36	30.62	30.20	30.58	.21	1,507
July	30.60	30.85	30.38	30.81	.21	275,546
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.						
May	1268.50	1268.50	1267.00	1274.50	-1.00	15
July	1300.50	1303.00	1292.00	1301.50	-1.50	10,092
Wheat (CBT) -5,000 bu.; cents per bu.						
May	525.75	540.00	523.50	540.50	14.75	397
July	526.00	538.50	520.50	538.00	11.25	243,006
Wheat (KC) -5,000 bu.; cents per bu.						
May	539.50	540.00	535.90	547.50	11.75	454
July	554.25	568.50	548.50	567.75	12.50	137,263
Wheat (MPLS) -5,000 bu.; cents per bu.						
May	628.50	628.50	628.00	631.25	.50	56
July	622.00	630.75	617.25	630.00	5.50	32,248
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.						
May	138.575	141.125	138.150	140.800	2.175	6,717
Aug	144.900	147.075	143.850	146.575	2.125	23,304
Cattle-Live (CME) -40,000 lbs.; cents per lb.						
June	105.000	107.575	104.500	106.525	1.675	136,703
Aug	104.150	106.550	103.700	105.525	1.605	101,089
Hogs-Lean (CME) -40,000 lbs.; cents per lb.						
May	67.000	68.125	67.000	67.075	.175	2,861
June	73.800	75.425	73.425	73.500	.175	94,775
Lumber (CME) -10,000 bd. ft.; \$ per 1,000 bd. ft.						
May	592.00	594.90	582.90	583.50	-11.50	849
July	570.10	576.00	565.10	566.50	-8.60	4,861
Milk (CME) -200,000 lbs., cents per lb.						
May	15.22	15.23	15.08	15.12	-.11	3,956
June	15.67	15.70	15.56	15.59	-.09	3,567

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest

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How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Thursday, May 3, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 23.31 -0.07

ADT ADT 8.82 -0.24

AES AES 12.30 0.11

Aflac AFL 44.45 -0.60

AGNC Inv AGNC 18.82 0.09

ANGI Homesvcs ANGI 13.31 -0.12

Ansys ANSS 16.02 0.41

ASML ASML 192.75 2.41

AT&T T 31.94 -0.12

AbbottLabs AbbottLabs 57.93 0.08

AbbVie ABV 100.28 0.09

Albomed ALBD 335.57 33.43

Accenture ACN 151.73 1.02

ActivisionBlz ATVI 66.82 -1.57

Adient ADNT 55.84 -4.18

AdobeSystems ADBE 226.05 4.95

AdvanceAuto APP 115.43 -0.47

AdMicroDevices AMD 10.93 -0.04

Aegon AEG 6.91 -0.18

AerCap AER 53.63 1.19

Aetna AET 172.13 -4.62

AffiliatedMtrs AMG 16.07 -1.02

AgilentTechs AIGL 66.34 0.43

AgnicoEagle AGN 42.51 0.44

AirProducts APPD 16.05 -1.43

AkamaiTechs AKAM 71.45 -0.20

AlaskaAir ALK 62.92 -0.47

Albemarle ALB 97.89 0.05

Alcoa AA 53.28 0.21

AlexandriaEst ARE 126.73 -0.84

AlexionPharm ALXN 116.36 -0.38

Allibaba BAB 182.49 0.01

AlignTech ALIGN 25.51 0.67

AmericanAirlines AAIR 43.31 -0.67

Allegany Y 566.62 -5.70

Allergan AGN 147.60 -3.47

AllianceData ADDA 194.64 -0.61

AllianzEnergy LNT 43.23 0.36

Allstate ATL 94.05 -0.01

AllyFinancial ALLY 26.06 -0.48

AlynPharm ALYN 88.31 -1.30

Alphabet GOOG 1023.70 -0.66

Alphatec AOG 106.00 -0.04

Alphatech AOG 113.80 -0.24

Altair ALT 78.38 -0.01

AltitudeTech ATMD 40.66 -0.04

Altronix ALTR 41.39 -0.04

Altria MO 56.36 -0.67

AlumofChina ACH 13.75 -0.22

Amazon.com AMZN 157.20 2.39

Ambev ABEV 6.34 -0.01

Amdocs DOX 65.69 -1.02

Amoco UHAL 333.22 -2.92

Ameren AEE 58.74 -0.36

AmericaMovil AMX 17.91 -0.15

AmericaMovil AMX 17.80 -0.09

AmerAirlines AAIR 42.11 -0.13

AEP AEP 69.24 -0.05

AmericaExpress APX 97.14 -0.49

AmericanFin AFG 108.82 -2.48

AmericaMrent ARMT 20.23 ...

Americorp AMR 131.49 -1.50

AmericusSourceBGN ABC 85.37 -6.81

Ametek AME 69.99 -0.16

Amgen AMGN 166.39 -3.04

Amphenol APH 84.28 -0.32

AnaladPetro ALP 66.03 -0.46

AnalogDevices ADI 87.91 -0.39

Andeavor ANDV 141.56 2.98

Apertmtnv BDX 41.40 -1.37

AppGlobMgmt APO 30.67 -0.04

Apple AAPL 176.87 -0.24

AppMaterials AMAT 50.71 -0.18

AptarGroup ATRL 91.12 -1.44

AradatComms ARAD 48.30 -0.23

ArakamTechs ARK 73.65 -1.75

ArasTech AZPN 88.74 -2.24

ArctechCo ATW 33.80 -0.04

BANKING & FINANCE

U.S. Investors Head Abroad

By MIKE BIRD

Rising interest rates were supposed to suck money back into U.S. markets. In reality, they are driving Americans to invest overseas.

One key reason is because the gulf between increasing U.S. interest rates and negative rates in Europe and Japan, a common technique of using currency forwards to hedge foreign-exchange risk is basically paying investors to take risk abroad. A currency forward contract locks in an exchange rate for the purchase or sale of a currency on a future date.

MARKETS

Treasurys Strengthen After Soft Price Data

By SAM GOLDFARB

Treasury prices edged higher after softer-than-expected eurozone inflation data.

The yield on the 10-year Treasury note settled at 2.946% on Thursday, compared with 2.964% Wednesday.

CREDIT MARKETS Yields, which fall when bond prices rise, slid after a report showed euro-

zone inflation in April was 0.7% excluding energy, food, alcohol and tobacco. That was below the 0.9% consensus forecast and a challenge to the view held by some investors that improved economic growth and rising inflation will soon lead to much tighter monetary policies outside of the U.S.

"On the global front, the feeling is that growth may not be as strong as it was a couple of months ago, and as a result, inflationary pressures may not be as strong," said Gary Pollock, head of fixed-income trading at Deutsche Bank AG's private wealth-management unit.

Analysts also pointed to other factors supporting Treasurys. Adding to the day's downbeat economic news, the Institute for Supply Management said Thursday that its nonmanufacturing index slipped for a third straight month in April, falling to 56.8 from 58.8 in March. There was also follow-through from events on Wednesday when bond prices rose as the Treasury Department outlined its debt-issuance plans and the Federal Reserve released its latest policy statement.

While the Treasury said it would increase the size of debt auctions in the coming quarter to meet funding needs, its issuance projection was slightly lower than some analysts had anticipated. It also stuck to its plan of focusing on short-term debt issuance, keeping pressure off long-term bonds such as the 10-year note, which analysts said could have sold off if the Treasury had hinted at a change in strategy.

Meanwhile, some investors read the Fed statement as slightly less hawkish than expected. Fed officials indicated they remain on track to gradually raise interest rates, but they reiterated that their 2% inflation goal is "symmetric," a signal that they could allow inflation to run a bit higher than 2% without increasing the pace of rate increases.

The yield on the two-year Treasury note, which is more sensitive to interest-rate policy than the 10-year yield, settled at 2.482% Thursday, down from 2.517% just before the Fed released its policy statement.

For Cboe, Fervor Over Fear Cools

Concerns about the reliability of volatility trading dims investor enthusiasm for VIX

By GUNJAN BANERJI

Anxiety is back on Wall Street. That should be good news for **Cboe Global Markets** Inc., the operator of the VIX index of expected stock swings, widely known as the market's fear gauge.

But Cboe shares have tumbled 15% this year, lagging far behind both the broader stock market and the firm's peers. Questions about the reliability of volatility trading—punctuated by the one-day collapse in February of volatility-linked

exchange-traded products and a rarely seen wobble last month that raised concerns about possible manipulation—are dimming enthusiasm for the VIX just at the time when it would seem most attractive.

The number of futures contracts outstanding for the Cboe Volatility Index, or VIX, has declined precipitously since early February, despite the market's generally volatile performance.

In addition, average daily volumes slumped in April to the lowest level in more than a year, even as trading of futures and options in other markets rose.

The declines have set the stage for the Chicago-based company's quarterly earnings and conference call, expected

Friday morning. Cboe needs to restore investor confidence in its ability to manage a historically lucrative business that is turning out to be more complex than many anticipated.

"People thought that the Cboe was a pure beneficiary of higher volatility," said Rich Repetto, an analyst at Sandler O'Neill + Partners. "It's not that simple."

Still, he said he doesn't see the dip in VIX volumes as a permanent impairment. He is monitoring whether other parts of Cboe's business like S&P 500 options and European trading will offset declines in the VIX complex.

Investors typically wager that stocks like Cboe or high-speed trading firms like **Virtu Financial** Inc. will profit from

higher volatility, said Mr. Repetto. Virtu's shares have almost doubled this year. Exchange rivals like **CME Group** Inc. and **Nasdaq** Inc. have added 7.5% and 12%, respectively. Meanwhile, Cboe has been the worst-performing U.S. exchange operator.

"The growth outlook for Cboe's VIX futures remains a critical question to the stock," wrote analysts from Goldman Sachs Group Inc. in March.

A collapse in February of two securities that used VIX futures, as well as worries about potential manipulation in the index, have fomented doubts about the ecosystem of VIX products among traders.

The trends are a sharp reversal from 2017, when record volumes in VIX futures and

options propelled Cboe shares up 86% to a high in January of this year. Even though markets were quiet last year, VIX-linked products were popular as traders and investors used them to bet against volatility.

More than one-third of Cboe's revenue growth in the two years through 2017 stemmed from trading in VIX derivatives, according to Goldman Sachs.

"Cboe rode up this high-fee product. And now they're riding that back down," said Mike Bailey, director of research at FBB Capital Partners, based in Bethesda, Md.

Mr. Bailey said he hasn't bought shares of Cboe because its business is so concentrated in VIX products. He owns CME shares.



Foreign investors pulled almost \$400 million from Indonesian stocks last week, and the dollar topped 14,000 rupiah on Wednesday.

Executive at BofA to Leave for Silver Lake

By RACHEL LOUISE ENSIGN AND LIZ HOFFMAN

AJ Murphy, the head of **Bank of America** Corp.'s capital-markets business and one of the most senior women on Wall Street, is leaving the firm to join private-equity giant **Silver Lake**, according to people familiar with the matter.

The bank announced Ms. Murphy's departure in an internal memo Thursday, which was reviewed by The Wall Street Journal and confirmed by a bank spokesman. It said she was going to work for a client of the firm.

People familiar with the matter said she would be a senior executive at Silver Lake's main private-equity fund, which focuses on big technology companies and counts **Dell** Inc. and Chinese e-commerce firm **Alibaba Group Holding** Ltd. among its investments.

Ms. Murphy is expected to start this summer and will focus on finding and structuring new investments, advising portfolio companies and potentially serving on boards of directors on Silver Lake's behalf, the people said.

Ms. Murphy leads Bank of America's global capital-markets business, which helps arrange debt and equity financing for companies. She joined Bank of America in 2009 in its leveraged loan business. She left for a brief stint as a partner and senior banker at **Goldman Sachs Group** Inc. before returning to Bank of America in 2015.

Bank of America recently ranked first in the debt capital markets league tables in the U.S. and fifth in equity capital markets, according to first-quarter bank filings citing Dealogic.

The memo said the bank would name a successor "in the near future."

Indonesian Markets Take a Dive

By ESE ERHERIENE

One of the biggest casualties of the rising dollar is the emerging market of Indonesia, which is seeing heavy selling of stocks by foreign investors.

On Thursday, the country's equities benchmark logged its third drop of at least 2.4% since the middle of last week.

The JSX Composite Index slumped 6.6% last week—the most of any major index globally, according to FactSet, and its worst week since August 2013. Foreign investors pulled almost \$400 million from equities. Sales in stocks of the country's biggest banks led the selling, with the two largest each declining nearly 15%. Through Thursday, the stock index is down 7.8% this year.

Financials weren't alone. **Bumi Resources**, one of Indonesia's biggest coal miners, skidded 14% last week. But, highlighting recent volatility, the stock surged 16% Wednesday, and then fell 5% Thursday.

Selling has focused more on

the market's most liquid stocks rather than on sectors, said Felix Lam, a senior portfolio manager for APAC equities at BNP Paribas Asset Management.

Indonesia has long been one of the most sensitive emerging markets to changing U.S. financial conditions given some 40% of the country's bonds are owned by foreign investors, noted Frank Benzimra, head of Asia equity strategy at Société Générale.

Bonds fared poorly as the rupiah sold off in mid-April.

The yield on Indonesian 10-year government debt climbed to 7.2% from about 6.6% in barely a week, as yields rise as bond prices fall; it has since pulled back to 7%.

"The hunt for high yields makes the bond market attractive to foreign investors but also makes it susceptible to periods of sharp outflows when financial conditions become less conducive," Mr. Benzimra said.

"This, in turn, is reflected in movements in equities and FX."

Worries about whether the

U.S. Federal Reserve will accelerate the pace of interest-rate increases has also caused jitters among investors.

That helped weaken the rupiah as the dollar climbed to 2018 highs. On Wednesday, the dollar briefly topped 14,000 rupiah for the first time since January 2016.

Indonesia's central bank intervened in currency and bond markets recently.

Calling for calm, Indonesia's central bank staged a "sizable" intervention in the currency and bond markets last week, saying it would remain in the market indefinitely. The market tumult has raised the prospect of Bank Indonesia boosting interest rates sooner than expected. It could encourage some capital to stay in the country. DBS Bank

and ING predict a rise may come in the next several months; prior consensus forecasts saw no action this year.

The market worries come after the JSX index hit records in 2017, rising 20%. It climbed a further 3.9% in January but has fallen 12% from its early-year peak.

In December, Credit Suisse raised its recommendation on Indonesian stocks to "small overweight" from "underweight." But the investment bank said last week in a research note that the bullishness was "too early."

Still, many observers don't believe the recent declines are a harbinger of worse to come as investors largely remain bullish on the market.

Tuan Huynh at Deutsche Bank Wealth Management highlights the relatively young age of the country's populace and government reforms. While "investors hate uncertainty...medium to longer term I would still regard Indonesia's outlook as the best in this region," he said.

Stocks Seek Direction as Blue Chips Recover From Plunge

By MICHAEL WURSTHORN AND RIVA GOLD

The Dow Jones Industrial Average recouped a nearly 400-point plunge to end slightly higher, a sign of the stock market's resilience despite indications of lackluster corporate earnings, weakening economic data and rising interest rates.

The blue-chip index has struggled for direction, trading in a relatively narrow range of about 850 points over the past month.

That trend continued Thursday as the Dow industrials bounced back from a key long-term technical level and eked out a slight gain of less than 0.1% to snap a four-session losing streak. The index has fallen in nine of the past 12 sessions and remains down 10% from its Jan. 26 high.

The string of daily declines appears to be taking a toll on investors. Just 28% of individuals believe the stock market will be up six months from now, according to the American Association of Individual

Investors's most recent weekly survey, down from 37% the previous week and below the historical average of 39% going back to 1987.

"This is a complicated thing" for investors, said Barry Bannister, head of institutional equity strategy at Stifel Financial. "We have domestic and geopolitical uncertainty, plateauing global growth...This is good for stock pickers. It's not good for indexing."

Several mediocre earnings reports dragged on major indexes Thursday, and shares came under further pressure after data showed that the pace of growth across much of the U.S. economy slowed in April.

The Dow industrials added 5.17 points to end at 23930.15, after earlier sliding as much as 394 points. The S&P 500 declined 5.94 points, or 0.2%, to 2629.73, while the Nasdaq Composite fell 12.75 points, or 0.2%, to 7088.15. Both the S&P and Nasdaq have fallen for two straight days.

The market has lacked a clear leader since indexes tumbled into correction territory, marked by declines of more

Technical Trading

The Dow Jones Industrial Average erased an early decline after bouncing back from its 200-day moving average.



Source: FactSet

THE WALL STREET JOURNAL

Treasury Sets Sales of \$163 Billion in Debt

The U.S. Treasury Department will auction \$163 billion in securities next week, comprising \$73 billion in new debt and \$90 billion in previously sold debt. Details (all with minimum denominations of \$100):

◆ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on Feb. 8, 2018, maturing Aug. 9, 2018. Cusip number: 912796PU7.

Also, \$42 billion in 26-week bills, a reopening of an issue first sold on Nov. 9, 2017, maturing Nov. 8, 2018. Cusip number: 912796PD5.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders, by 1:30 p.m.

earnings, the Federal Reserve's plan to maintain its pace of gradual rate increases, which was reiterated Wednesday, has forced investors to re-evaluate their allocations between stocks and bonds, while a strengthening dollar has pressured U.S. multinational companies in recent weeks. Trade concerns also continue to linger as the Trump administration has yet to complete implementing plans for its proposed tariffs.

Also on Thursday, the Institute for Supply Management said its nonmanufacturing index—tracking a wide range of U.S. industries such as health care, finance, construction and agriculture—slipped in April from March, missing economists' expectations.

Marcia Gay Harden gives her mom due credit **M12**



MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

Friday, May 4, 2018 | **M1**

'To dwellers in a wood, almost every species of tree has its voice as well as its feature.' —Thomas Hardy



JASON HENRY FOR WSJ (3, TREE HOUSES); AXEL DUPEUX FOR WSJ (HARDEN); GORDON M. GRANT FOR WSJ (RENOVATION); FRANKURSO/DYNAMIC MEDIA (LONG ISLAND)

REDWOOD RETREAT Catherine New built a tree house for about \$25,000 on family property in the Santa Cruz mountains and at times escapes there from her San Francisco office around an hour away. Below left, a trapdoor opens onto a deck. Sliding glass doors lead to an airy room with wood flooring and a sleeping loft. Her dog, Wayne, below right, can't climb the steep ladder and stays on the ground.



Tree Houses For Grown-Ups

These leafy retreats are far from kids' play, with skylights, TV and air conditioning; beware grumpy neighbors, falling acorns.

BY AMY GAMERMAN

WHEN JEFF AND MILLIE BAIRD bought a rugged 165-acre property in California's Sonoma County in 2010, their goal was to spend more family time outdoors. So the first thing they built was a tree house: a honeycomb-like structure high in a towering live-oak tree, with decks, ladders and open-air "pods" designed for animal-watching, sleeping, stargazing and wine tasting.

"You climb into the initial pod—the docking station. Then you climb up and around. At the very top there's an open deck in the canopy," said Mr. Baird, a 44-year-old partner at a private investment firm, who spent about \$65,000 on

Please turn to page M4



EXOTIC—AND CHAOTIC—MEDINA

The old city in the heart of Marrakesh, Morocco, tempts overseas buyers with lavish, ornamented courtyard homes called riads.

BY RUTH BLOOMFIELD

FROM THE OUTSIDE, the historic houses of the ancient Moroccan city of Marrakesh are deliberately modest and featureless. But to step over the threshold of a traditional riad is to enter a world of vivid color and lavish ornamentation.

Tiled mosaic floors, walls coated in polished "tadelakt" plasterwork and enormous, hand-painted cedar beams are among the classic hallmarks of these homes, which show off the quality of local

Please turn to page M8



MEDINA MANSION The courtyard of a five-bedroom, five-bath room riad, which is on the market for just over \$1 million.

INSIDE

LONG ISLAND LISTING
Gold Coast home seeks
\$29.9 million
M2



\$595,000 RENOVATION
A remodel highlights a couple's art
M3



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MANSION

PRIVATE PROPERTIES

Longtime Malcolm Forbes Townhouse Asks \$28.5 Million



Leonard Steinberg. Mr. Forbes, who died in 1990 at age 70, was known for his lavish lifestyle and for broadening the influence of the magazine his family founded in 1917. He bought the

townhouse in the early 1960s and used it purely for entertaining and hosting visiting celebrities and dignitaries.

"Elaborate luncheons for CEOs were a routine in the brownstone house," his son Steve wrote in *Forbes* in 2017. "Each guest was given an advertising pitch before leaving." Forbes sold its Fifth Avenue headquarters in 2010 and later moved its operations to Jersey City; the family sold the townhouse for \$7.25 million in 2012 to developers Todd Cohen and Terrence Lowenberg of Icon Realty Management.

Messrs. Cohen and Lowenberg gutted the Greenwich Village house and revamped the interior, giving the house a modern look. The five-bedroom, roughly 9,600-square-foot home has a double-height great room and two kitchens: one off the great room and another on the ground floor with access to the garden. A library overlooking the great room has a wet bar and leads to an 800-bottle wine room. Messrs. Cohen and Lowenberg weren't available for comment.

The lower level, where Mr. Forbes kept a wine cellar with its own dining room, now contains a soundproofed home theater, a gym with rubberized floors and a sauna.

—Candace Taylor



A Manhattan townhouse owned for decades by the family of Malcolm Forbes, the late chairman and editor in chief of *Forbes* magazine, is returning to market for \$28.5 million after a renovation.

Built in 1847, the Greek Revival townhouse is located around the

corner from the former *Forbes* headquarters at 60 Fifth Ave. The two buildings were previously connected, but the home's current owners separated them after they purchased it, according to real-estate agent Kyle Blackmon of Compass, who has the listing with colleague

—Candace Taylor

DAN ABRAMS PUTS GREENWICH VILLAGE CONDO UP FOR SALE

Dan Abrams, a television host, entrepreneur and a self-professed history buff, is listing his apartment in an 1830s-era Manhattan townhouse for \$8.799 million.

"I always loved the fact that there was real history there," he said. The founder of Abrams Media, which publishes the media and politics website Mediaite and others, Mr. Abrams also co-authored a book on Abraham Lincoln.

Located on Waverly Place in the West Village, Mr. Abrams's condo encompasses the first three floors of a Greek Revival townhouse, according to listing agent Cortnee Glasser of Sotheby's International Realty. Mr. Abrams created the roughly 3,300-



square-foot space by combining two condo units. The home has four bedrooms, a private garden and four wood-burning fireplaces, all of which Mr. Abrams said he has used over the years.

Mr. Abrams's home is part of a seven-unit condominium that spans two neighboring townhouses. He moved in as a renter in 2004, he said, then two years later bought a three-bedroom duplex for \$2.175 million. He bought the adjacent apartment in 2009 for \$1.645 million. The resulting unit has two private entrances—one on the parlor floor and one on the garden level.

Mr. Abrams said he is selling because his son is going to school



on the Upper West Side, and because he wants to be closer to his offices farther uptown.

—Candace Taylor



STEEL HEIR LISTS LONG ISLAND GOLD COAST ESTATE FOR \$29.9 MILLION

An heir to the Phipps steel fortune is selling his sprawling estate on Long Island's Gold Coast for \$29.9 million.

Known as Echless, the Old Westbury, N.Y., estate was built in the 1930s for Howard Phipps, the youngest son of Henry Phipps Jr., Andrew Carnegie's partner in Carnegie Steel. The seller is Mr. Phipps's son, also named Howard Phipps Jr. Now 83, Mr. Phipps wants to downsize, according to real-estate agent Maria Babaev of Douglas Elliman. Mr. Phipps declined to be interviewed.

The Colonial Revival-style mansion is constructed in a U-shape, according to the listing. Ms. Babaev said the estate is in pristine condition, but the more than 16,000-square-foot main house, which has 15 bedrooms and 12 bathrooms, has a "time-capsule" quality. The property, which is over 90 acres, includes a farm, stables, many out buildings, a tennis court and staff housing.

On the north shore of Long Island, an area immortalized in "The Great Gatsby," Old Westbury is known for its gilded-era



estates and as a haven for horseback riding enthusiasts. It is also home to Old Westbury Gardens, which is open to the public and whose home was built by another of Henry Phipps's children.

Ms. Babaev is co-listing the property with agents from the commercial real-estate brokerage Newmark Knight Frank, who are marketing the property separately as a redevelopment opportunity. Under current zoning, the land could be split into 32 single-family lots that average over 2 acres each while maintaining 15 acres allocated to the main residence and gardens, according to a statement from the firm.

—Katherine Clarke

ROBERT F. SMITH SPENDS NEARLY \$60 MILLION ON NEW YORK PENTHOUSE

Private equity executive Robert F. Smith was the buyer who purchased a \$59.058 million penthouse in New York's Chelsea neighborhood, according to two people familiar with the deal.

The transaction, while short of Dell Technologies founder Michael Dell's record \$100 million-plus penthouse purchase in 2014, is still one of the largest sales ever recorded in the city.

The property, which is located in the Peter Marino-designed building known as the Getty at West 24th Street and Tenth Avenue, is a combination of a two-floor penthouse apartment and an additional floor downstairs for a combined 10,000 square feet. It has two master suites, four other bedrooms, seven bathrooms, two kitchens, two great rooms and a private rooftop terrace. The deal closed in late April, property re-



cords show.

The 12-story Getty has just five homes and features an art gallery and museum on the lower floors, according to its website.

Adam Modlin of the Modlin Group and Tal and Oren Alexander of Douglas Elliman lead sales at the building.

Mr. Smith is based in Austin and is chief executive of Vista Equity Partners, a private-equity firm. He is also the first African-American chairman of the board of Carnegie Hall, replacing Ronald O. Perelman in 2016.

Mr. Smith and his family own additional homes in New York, Malibu, Calif., and in their home state of Texas, public records show.

—Katherine Clarke

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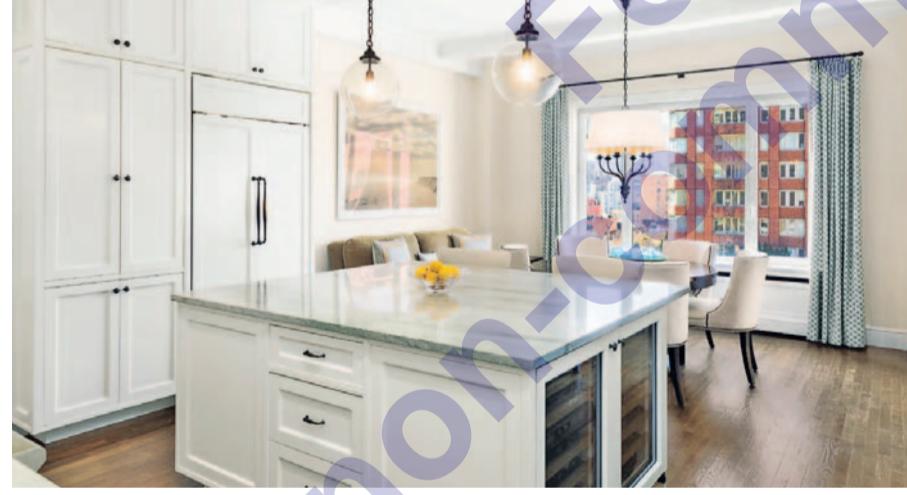
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MANSION

BALANCE SHEET

Where Art Can Come Home

In the Hamptons, a retreat is designed around a couple's art collection

BY LEIGH KAMPING-CARDER

STEVEN SERGIOVANNI and Chris Satek spent years amassing art. Unfortunately, living in a one-bedroom apartment in Manhattan's Chelsea neighborhood meant that most of it sat in storage.

Then in May 2015, Mr. Sergiovanni, a 53-year-old art adviser, and Mr. Satek, a 56-year-old graphic designer, paid \$650,000 for a three-bedroom, 1,600-square-foot house in East Hampton, N.Y. The following January, the long-time couple kicked off a roughly one-year, \$595,000 remodel that turned the dated 1973 structure into a minimalist retreat with expanded windows and wall space to show off their collection.

"I don't think I've ever designed a house where we were quite literally building our design around the artworks," said Ahmed ElHusseiny, founder of Brooklyn design firm AE Superlab, who handled the design along with architect Brian Masuda. In the end, all the artwork the couple owned fits, although some of it is still tucked in a closet.

The couple couldn't resist adding a bit more. They enclosed a second-floor walkway that overlooked the living room and commissioned a site-specific wall painting by Mary Temple, an artist whom Mr. Sergiovanni used to represent. On first glance, the pale beige work looks like shadows of tree branches; in fact, it is a trompe-l'œil painting of the light filtering through the windows. Across the living room is a large-scale wall piece commissioned from Naomi Reis—an abstracted riff on foliage in the Brooklyn Botanic Garden. The works cost \$30,000 and \$20,000, respectively.

Sharing a love of minimalism, Messrs. Sergiovanni and Satek kept the stuff to a minimum, and used white for much of the furniture, setting off the views of the woods. In the kitchen, the high-gloss cabinets and Caesarstone island, which together cost \$28,000, are also white.

The home includes a nod or two to eclecticism. Bug-print wallpaper by artist Jasmina Cicib papers the lower-level bathroom, commemorating an early visit when the men were astonished to see blankets of June bugs on the window sills. "I'm actually waiting for a bug to be on there so I can Instagram it," Mr. Satek said.

In the master bedroom, interior designer and friend Ghislaine Viñas departed from the monochromatic color scheme, re-upholstering a chair in pale blue. ("This was



GORDON M. GRANT FOR THE WALL STREET JOURNAL (5)

even a little bold for us," Mr. Sergiovanni said, half-joking.) On one wall, she added her black-and-white wallpaper with big, bold circles.

The couple, both tall and slim and full of restaurant recommendations, splurged on expanding the home's windows. The four small windows and sliding door in the living room became a wall of windows, creating a "beautiful dialogue between raw, untamed forest on the outside and this very reined-in minimalist interior," Mr.

ElHusseiny said. Windows and exterior doors totaled \$108,100 including installation.

The designer kept costs down by installing a sliding door in the master bedroom instead of custom-ordering an oversize window. Above it, a trapezoid-shaped window echoes the slanted roofline; beside it, a porthole stands in for what was once octagonal stained-glass in a lighthouse design. "It wasn't our aesthetic," Mr. Sergiovanni said.

Another splurge was replacing

what Mr. ElHusseiny called "pretty terrible" vinyl siding with charcoal-grey Equitone, a low-maintenance, energy-efficient façade material that looks like a darker, sleeker version of the shingle siding so common in the Hamptons.

Popular in Europe, the material is so hard that it is tricky to modify on site, so the house had to be measured by a laser to order the façade. To add space for a light fixture, the team had to use a diamond-tipped drill. The \$160,000 cladding is also about 10 times the

cost of cedar shingles but does not need regular, pricey treatments, Mr. Satek said. "Over the long term, we don't have to replace it. Or clean it. Or do anything," he said.

A few projects remain, including the installation of an environmentally-friendly, nitrate-free septic tank and the landscaping of the nearly half-acre lot. But the couple continues to marvel at the amount of space.

"This is just like, oh my God, it's huge," Mr. Sergiovanni said.

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MANSION

TAPPING INTO TREE-HOUSE TRANQUILITY

Continued from page M1

the tree house in 2013. "We have a dumbwaiter system with two pulleys up in the tree with ropes—we can bring up a bottle in a bucket and a few metal wine tumblers."

The DIY tree fort is getting an upscale makeover. Plywood two-by-fours have been replaced with steel, hardwood flooring and polycarbonate skylights. Tree houses with TVs, air conditioners and tiled showers aren't unheard of; running water can be piped from the home's main line, or through a pump system. Many tree houses are even designed to be handicap-accessible. "People have spent over \$1 million," said Pete Nelson, who hosts the Animal Planet television show "Treehouse Masters."

"I just got a call from a past client—they really want a spa tree house, with a sauna and steam room, and a hot tub," he said.

If it is over 120 square feet, has electricity from the grid or has plumbing, a tree house usually requires a building permit. Zoning restrictions often cap the height to 20 feet off the ground—"making it hard for the tree house to actually be in the tree," said Dustin Feider, who built the Bairds' aerie.

On large, secluded properties such as the Bairds', owners have more freedom. But if the tree house is going to be visible to neighbors, proceed with caution. "Grumpy neighbors equal tree-house kryptonite," Mr. Feider said.

The Bairds, who live with their two daughters in Oakland, were looking for a way to camp out on their land. "We are out in the wild with pigs, bobcats, rattlesnakes. We had the idea, 'Hey, maybe if we are 10 to 15 feet off the ground,'" said Mr. Baird. (He and Ms. Baird, 44, a senior director at the Environmental Defense Fund, have since built a modernist cabin on the property.)

Made of reclaimed Douglas fir and sheet steel, the Bairds' tree house spans 20 feet of the live oak, culminating in a star-shaped platform in its canopy. A geodesic sleeping pod was originally enclosed with white polyethylene walls, until the Bairds removed them; now they can see the stars.

To create the tree house, Mr. Feider used Lidar remote-sensing technology to laser-scan the oak, then designed a three-dimensional model. The tree house was built in his O2 Treehouse workshop and fitted into the oak with cables and customized bolts that distribute its weight across the branches.

"When the wind blows, the tree house moves a little bit with the tree—nothing that's going to give you seasickness, just a little sway that's super nice," said Mr. Feider, who sends tree climbers to clear overhanging limbs before building.

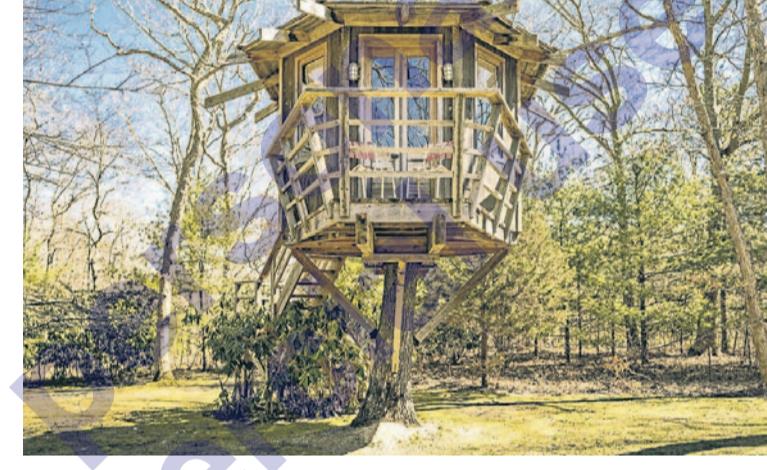
"We've definitely had some adventurous nights when the wind kicks up," Mr. Baird said. "It actually hurts a little bit when you get hit in the face with an acorn."



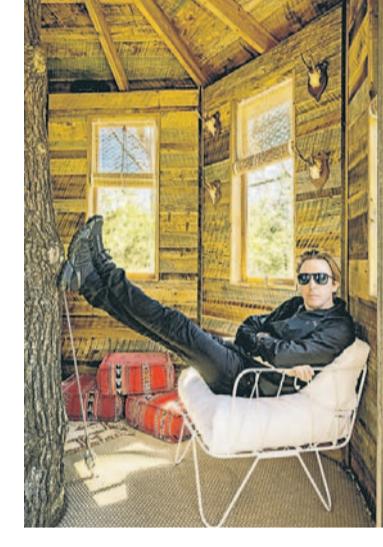
OFF THE GRID Jeff and Millie Baird built a family tree house in Healdsburg, Calif., with open-air 'pods' for animal-watching, sleeping, stargazing and wine tasting.



FROM TOP: JASON HENRY FOR THE WALL STREET JOURNAL (4); DOROTHY HONG FOR THE WALL STREET JOURNAL (4);



A NEW LEAF Photographer and filmmaker Craig McDean paid about \$60,000 to build his octagonal tree house on his property in East Hampton, N.Y.



Varo Money, a mobile-banking app, in San Francisco, is planning to build a second tree house nearby to house a compostable toilet.

The tree house is about a 45-minute drive from her home, allowing her to steal out there during the day to read, meditate, nap or listen to music. "I was thinking of putting a picture of my tree house on my desk at work, so when I get stressed out I could tap into tree house mind," she said.

His sons, ages 12 and 14, are more likely to use the tree house as an assassin's tower during airsoft battles, he said, firing plastic pellets at each other from up high.

Catherine New was seeking a zen experience when she built a tree house in the midst of a 6-acre redwood-forest property that her family owns in California's Santa Cruz mountains. Completed in January for about \$25,000, it was designed by Mr. Feider.

The tree house perches above the stump of a massive redwood tree, logged sometime in the 19th century. The 12-foot-by-8-foot platform is wedged in a cluster of trees that grew up around the old tree when it was felled.

To reach her tree house, Ms. New climbs up a steep ladder and flips up a trapdoor—secured from curious hikers with a lock—that opens on a deck overlooking the forest.

Ms. New, 42, editor in chief of

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Breath-taking Victorian with sweeping lawns and year-round views of the Harbor. The 7,000 sf home, known as Owl's Cote, offers grand principal rooms with period details, updates to meet today's lifestyles, and upgrades made to structural integrity.

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Ocean Club Estates. This grand 1.4 acre estate has a 6 bedroom, 6.5 bath main house and 6 bedroom, 6 bath guest villa. 175 ft. of frontage on the Ocean Club Waterway provides ideal docking for a variety of boats. WEB ID: Z7IJ99. **\$15,995,000 US.**
Nick.Damianos@SIR.com

Damianos Sotheby's International Realty
+1 242.376.1841 | SIRbahamas.com



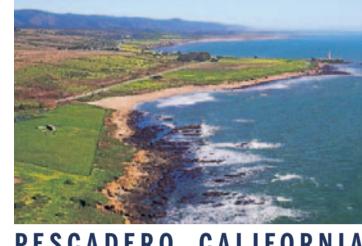
CORONADO, CALIFORNIA
One block to the beach. Indoor and outdoor living spaces with an elevator to all 3 levels. Sweeping views of the ocean to downtown from the roof deck. Contemporary with all the elements of a luxury coastal residence. 6 bedrooms, 4.5 baths. **\$6,500,000.** Scott Aurich.

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PESCADERO, CALIFORNIA
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Exquisite and captivating Coronado property situated on one of the largest waterfront lots with over 65 ft. of bay frontage. The extraordinary Santa Barbara/Spanish-style estate boasts breathtaking harbor and downtown skyline views. **\$14,495,000.** Eric Iantorno and Clinton Selfridge.

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SAN DIEGO, CALIFORNIA
Luxury living on the water. An exquisite masterpiece with waterfront views from La Jolla to Dana Point. Sophisticated and inspiring, this Venetian-style new construction embodies the finest attributes of waterfront living. **\$8,800,000.** Clinton Selfridge and Eric Iantorno.

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SAN DIEGO, CALIFORNIA
Magnificent bayfront home featuring private dock access and panoramic views throughout. Entertain and enjoy dining al-fresco on the back patio as you watch the boats cruise by on the bay. The ultimate coastal setting! **\$7,850,000.** Brett Dickinson and Eric Iantorno.

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SAN DIEGO, CALIFORNIA
Spectacular oceanfront views. The single level, 2nd floor condo features a wrap-around deck that captures the panoramic views and blissful energy of Horseshoe Beach. Walk to downtown La Jolla, the Cove, museum and local cafes. **\$6,950,000.** Brett Dickinson and Eric Iantorno.

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SAN DIEGO, CALIFORNIA
Immaculately-maintained, custom-built, single level estate with fabulous indoor and outdoor living spaces. Resort-style living on 3.68 tranquil acres located near the Rancho Santa Fe Golf Course with direct Covenant trail access. **\$4,995,000.** Eric Iantorno and Clinton Selfridge.

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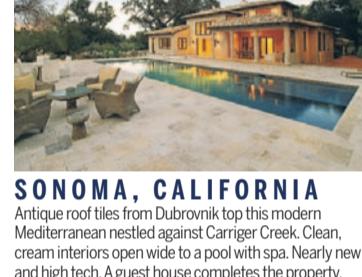
SANTA CRUZ, CALIFORNIA
175 acres of pristine wilderness, organic farmlands, secluded beachfront, and a 19th century farmhouse. One hour from Silicon Valley. **\$35,000,000.** Michael Dreyfus.

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SONOMA, CALIFORNIA
Nearly new and inspired by the best contemporary architecture, this modern farmhouse offers light-filled interiors, seamless indoor-outdoor living. Guest house, pool, spa, wine cellar, garden. CalBRE #01357054. **\$7,675,000.** Donald Van de Mark.

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SONOMA, CALIFORNIA
Antique roof tiles from Dubrovnik top this modern Mediterranean nestled against Carriger Creek. Clean, cream interiors open wide to a pool with spa. Nearly new and high tech. A guest house completes the property. CalBRE #01357054. **\$4,875,000.** Donald Van de Mark.

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TIBURON, CALIFORNIA
Stunning, 5 bedroom, 4 full and 2 half bath classic-contemporary with gorgeous indoor/outdoor spaces and San Francisco skyline views. Formal living/dining room, chef's kitchen and sparkling pool. **\$7,275,000.** Lydia Sarkissian, Magda Sarkissian and Bill Bullock.

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DURANGO, COLORADO
This estate offers 32+ acres of the most captivating, unblemished views of the San Juan Mountain range and Electra Lake in a very private and pristine setting. The 11,700 sq. ft. home has 5 bedrooms, 6 baths, and is being sold completely turnkey. **\$10,750,000.** Zach Morse.

Legacy Properties West
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MIAMI, FLORIDA
Waterfront 3-level townhome villa with 40 ft. deeded dock in beachfront gated community with tennis courts, pools, gym, spa, racquetball, restaurant and more. 3,870 sq. ft., 4 bedrooms, 3 full and 2 half baths. **\$1,800,000.** Alexandra Peters-Rutten. arutten@onesothebysrealty.com

ONE Sotheby's International Realty
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TAMPA BAY, FLORIDA
Keel & Curley Winery offers a rare opportunity to own a unique property and business. Situated on 36 acres, the property includes a winery, tasting room, brewery, cider, blueberry orchard, peach and vegetable farm, owner's residence and more. **\$6,900,000.** Crystal Dukes.

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LAKE FOREST, ILLINOIS
Set on 2 acres just steps from Lake Michigan on a coveted private street, this custom French Country Manor offers over 10,000 sq. ft. of living space designed for entertaining. Never home features 8 bedrooms, 11 baths, designed gardens, a pool/spa, tennis court, and a 4 car garage. **\$3,500,000.** Erica Goldman.

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BETHESDA, MARYLAND
Exquisitely sited on a private 1.5 acre with gated entry, reflecting pool, separate heated swimming pool and sensational cabana/pool house, this one-of-a-kind French Country estate boasts 20,000 sq. ft. of unparalleled design. New price: **\$13,500,000.** Marc Fleisher.

TTR Sotheby's International Realty
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BOSTON, MASSACHUSETTS
Elegant 2 bedroom, 2.5 bath duplex across from the Public Garden. Beautifully crafted with high ceilings, crown moldings and oak floors. Features include a chef's kitchen, den and master suite with marble bath. 2 parking spaces. **\$3,199,000.** Michael L. Carucci.

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CAPE COD, MASSACHUSETTS
East Orleans. Waterfront - 2 acres. Renovated in 2017. 5 bedroom, 6 bath, 4,500+ sq. ft. home with timeless appeal and stunning water views. Well-designed floor plan with gourmet kitchen. Finished walkout lower level, 2 fireplaces, security, outdoor shower, irrigation, air conditioning. **\$2,500,000.** Daneen Law.

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NEWTON, MASSACHUSETTS
A sophisticated 6 bedroom, 6 bath contemporary Colonial located on 1.5 private acres in Chestnut Hill. With 8,000 sq. ft. of living space, this light and airy floor plan brings lots of natural light into the home. **\$3,495,000.** Michael L. Carucci.

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BROOKLYN HEIGHTS, NEW YORK
Sprawling duplex penthouse boasting 4 bedrooms, 3,201 indoor sq. ft., 2,028 outdoor sq. ft., park, river, Brooklyn Bridge and city views at Pierhouse. **\$7,295,000.** Karen Heyman. Karen.Heyman@sothebyshomes.com Alan Heyman. Alan.Heyman@sothebyshomes.com

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NEW YORK, NEW YORK
White-glove West Side prewar cooperative distinguished by its superb scale, fine original architectural detail, southern and western sunlight, views of Central Park and New York City skyline. **\$5,600,000.** Roberta Golubok. roberta.golubok@sothebyshomes.com

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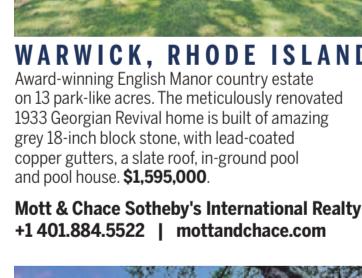
NEW YORK, NEW YORK
Encapsulating 2,168 sq. ft. this 3 bedroom, 2.5 bath duplex features soaring ceilings, wrought-iron columns and the highest quality fixtures/finishes. **\$4,495,000.** Jeremy Stein. jeremy.stein@sothebyshomes.com Jenifer Henson. jenifer.henson@sothebyshomes.com

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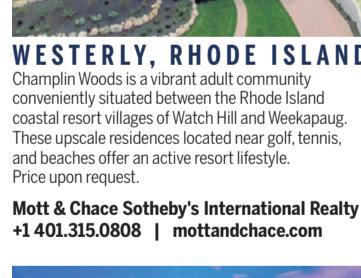
HIGHLANDS, NORTH CAROLINA
With a hat-tip to the grand, meticulous and storied architectural wonders of Scotland, this hybrid mix of arts and crafts and manor style creates a glamorous mountain home on the Highlands/Cashiers Plateau of Western North Carolina. **\$4,950,000.** Jody Lovell.

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WARWICK, RHODE ISLAND
Award-winning English Manor country estate on 13 park-like acres. The meticulously renovated 1933 Georgian Revival home is built of amazing grey 18-inch block stone, with lead-coated copper gutters, a slate roof, in-ground pool and pool house. **\$1,595,000.**

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WESTERLY, RHODE ISLAND
Champlin Woods is a vibrant adult community conveniently situated between the Rhode Island coastal resort villages of Watch Hill and Weekapaug. These upscale residences located near golf, tennis, and beaches offer an active resort lifestyle. Price upon request.

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CHARLESTON, SOUTH CAROLINA
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MANSION

ELEMENTS

POD PEOPLE GO UPSCALE

Studio sheds, or pods, introduce small but sophisticated architecture into the backyard

"SHED" IS A NOT A WORD that telegraphs a high sense of style. But today, designers and fashion-conscious builders are offering what they call studio sheds, or prefabricated one-room structures, that appeal to the architectural aesthete.

Many of these sheds are small enough that they allow homeowners to bypass local ordinances requiring permits for additional structures on their lots. Unlike "accessory dwelling units" that have bathrooms and kitchens, these stand-alone rooms are typically used as home offices, playrooms or hobby spaces for yoga, music or meditation.

Some companies deliver the sheds fully built. The buyer just plugs them in for lighting and ventilation. Other companies offer the option of having them build it on site, or shipping the components so the customer can assemble it or hire someone to do it.

Here's a look at three companies that are helping sheds to shed their lowbrow reputation.

—Katy McLaughlin



MINI-MIDCENTURY

David Smith, owner of Backyard Eichler, Novato, Calif., designs and builds sheds in the classic style of postwar California real-estate developer Joseph Eichler. Mr. Eichler specialized in affordable modern architecture. Mr. Smith's sheds have flat roofs, transom windows, exposed-beam ceilings and lots of light, he said. About one-third of his customers also have Eichler homes;

most of the rest have modern or contemporary houses, he added. Mr. Smith started the company in 2010. In his region, the company recommends installers and inspects the process; farther afield, buyers get panels and hire their own builders. **Price:** Starts at \$19,500 with installation; unit includes a 10- by 12-foot sliding glass door, transom windows, insulation, electrical wiring



GLASS WITH CLASS

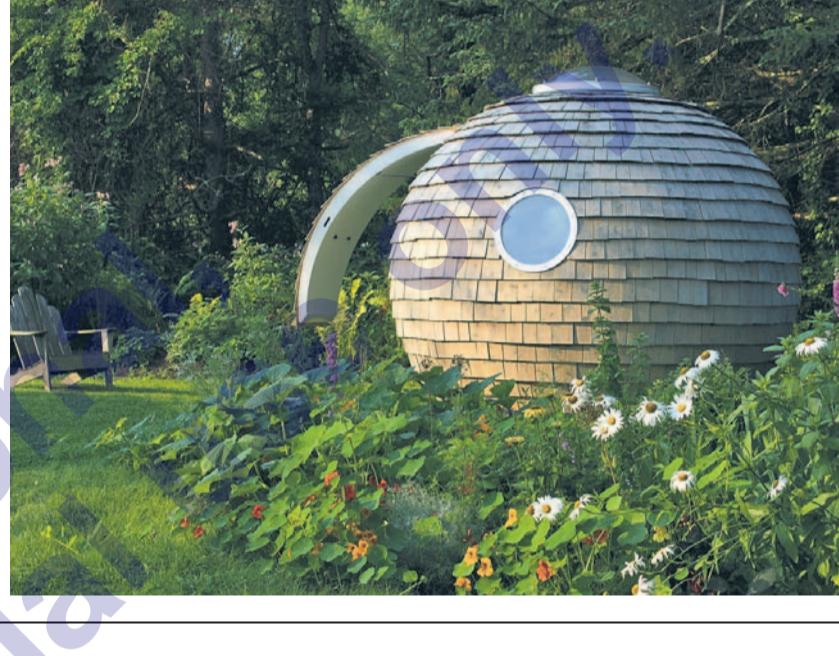
Jeremy Nova, co-founder of Studio Shed, based in Boulder, Colo., was working as a professional mountain-bike racer in 2006 when he built a "high-design storage shed" for his household's 20-or-so bikes, he said. Friends begged for their own spaces, which convinced him and a partner to launch their own business in 2008. Studio Shed has grown by 30% to 50% for each of the past five years, he

said. It now offers four varieties of prefabricated sheds that customers can assemble or that the company will build for them. The most popular model: a one-room space typically used for a home office has a flat roof, big windows and glass doors.

Price: \$25,000 to \$30,000, installed; unit includes drywall, insulation, LED lighting, hardwood floors

HOBBIT HANGOUT

The only U.S. owner of the shingled, hobbit-house looking Archipod is Judy Bernier. Trained as an architect, and after a long career as an interior designer, Ms. Bernier was looking for an attractive studio shed when she stumbled across this design from Britain. The Archipod's designer told her he didn't export and that if she wanted one, she would have to become the U.S. distributor. In 2015, she opened Podzook in Waldoboro, Maine, and hired local ship-builders to create a prototype. **Price:** \$17,000 to \$25,000, delivered fully built; unit has reclaimed-wood floors, radiant heat, a built-in work surface



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Morris Adjmi Architects.



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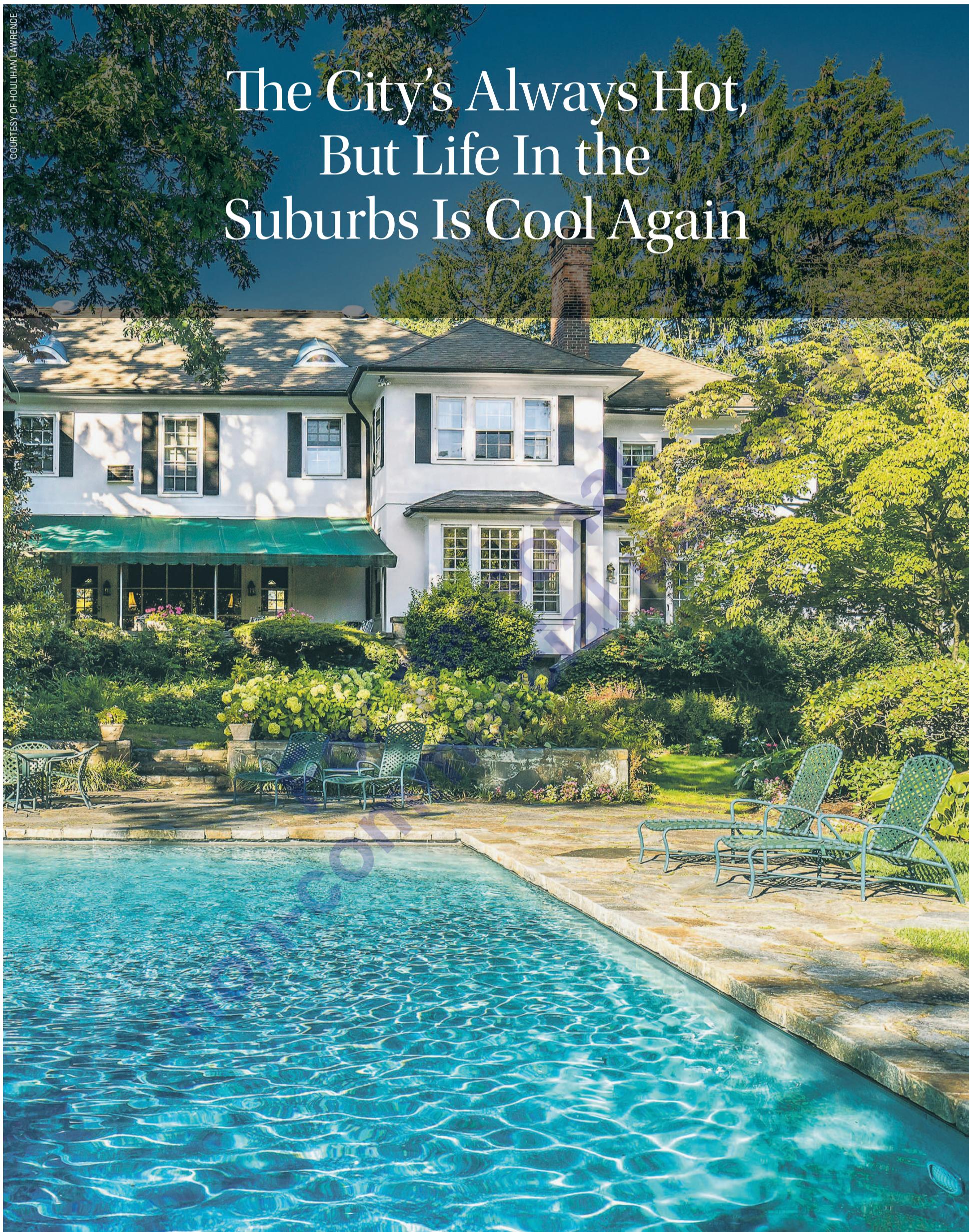
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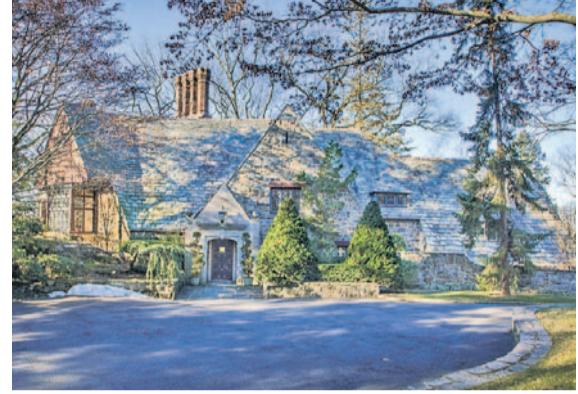
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114 BEACHSIDE AVENUE, WESTPORT, CT
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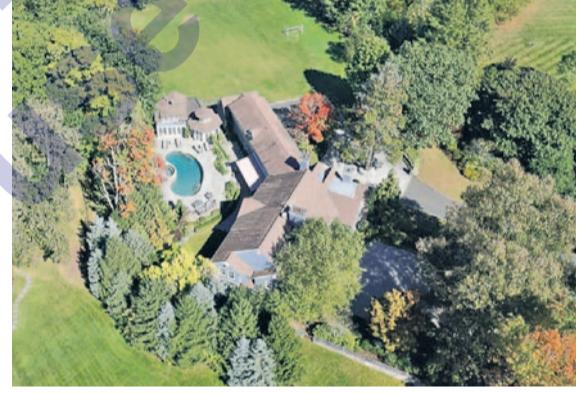
35 MURRAY HILL ROAD, SCARSDALE, NY
\$4,250,000 | 5 Beds | 4.1 Baths | 5,036 Sq. Ft.
Estate Area 1 Acre | 2017 Renovation "Smart House"
Mary Katchis 914.419.8041



55 FIELD TERRACE, IRVINGTON, NY
\$3,995,000 | 7 Beds | 5.2 Baths | 4,864 Sq. Ft.
Stately Brick Colonial on 3 Acres | Gorgeous Pool
Frances Zweiben, Nancy Steinberg 914.393.2583



4 WATSON COURT, RYE, NY
\$3,950,000 | 6 Beds | 4.1 Baths | 5,122 Sq. Ft.
Golf & Water Views | Deep Water Dock
Laura DeVita 914.473.1439



11 SKY MEADOW FARM, PURCHASE, NY
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Sexy and Sophisticated | No Expense Spared
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Traditional Elegance | Large Private Property
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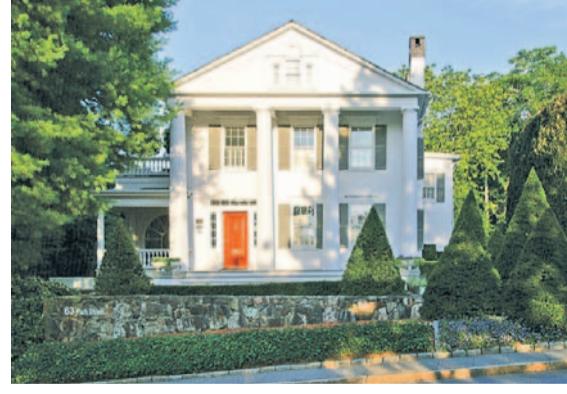
130 POLLY PARK ROAD, RYE, NY
\$2,995,000 | 6 Beds | 7.1 Baths | 7,567 Sq. Ft.
Open and Inviting | All-Season Entertaining
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370 MANSFIELD AVENUE, DARIEN, CT
\$2,986,000 | 5 Beds | 3.2 Baths | 6,626 Sq. Ft.
1905 Manor House | Dramatic Contemporary Renovation
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1069 BAYHEAD DRIVE, MAMARONECK, NY
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Magnificent Renovated Colonial | Near L.I. Sound
Anne Feuga 914.714.5049



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\$2,600,000 | 3 Beds | 4 Baths | 5,450 Sq. Ft.
Live & Work | In-Town Professional Building | 8 Employees
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18 PINE RIDGE ROAD, WILTON, CT
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WESTCHESTER AND FAIRFIELD COUNTIES

Brisk Market Offers Opportunities In Westchester, Fairfield

A WIDE RANGE OF ACTIVITIES, VARIED LIFESTYLES AND EASY COMMUTE—WHAT'S NOT TO LIKE?

By Joseph Dobrian

A long-outdated narrative states that Fairfield County, Conn., and Westchester County, N.Y., are too far from the fun of New York. That story never was true, and today it's less accurate than ever. The commute into the city is generally faster and more efficient than it was a generation ago, and the local amenities and recreational options will keep you happy if you'd rather not venture far from home.

GOOD VALUE

Moreover, home buyers can find a surprisingly wide range of prices in these two counties, and good value. You can find a very nice home for well under \$1 million, or an amazing estate with acreage if you care to spend the money. You can create the lifestyle you want, whether you prefer a town, a suburban environment, or a remote, semi-rural experience.

"What I love best about Westchester is the blend of activities we have here," reports Irvington, N.Y.-based broker Jessica Murphy, of Julia B. Fee Sotheby's International Realty.

"We offer health and fitness, arts and leisure, dining and entertainment. Westchester is a hot market in general, now, and I do a lot of work in the river towns, especially. The Old Croton Aqueduct trail, which stretches up from the Bronx for about 22 miles, is a great attraction, as is Rockefeller State Park Preserve, where you can find stretches of hiking and equestrian trails where

COURTESY OF HOULIHAN LAWRENCE



Waterfront communities offer a vibrant oasis for homeowners seeking private beaches, docks, swimming, fishing, or just a saltwater breeze.

COURTESY OF HOULIHAN LAWRENCE



blend of outdoor and cultural lifestyles, with lots of activities for families. "Towns and villages have naturalists who offer walks where they identify plants; the community pools that charge low admission are another attraction—plus there are terrific country clubs with all kinds of amenities."

Ms. Murphy is currently offering 25 Pine Lane in Cortlandt Manor, an immaculately maintained home priced at \$585,000, close to protected wetlands and the train station.

"You have the sense that you're in a small country house but with ready access to the city," she explains. "I have another priced at \$749,000, coming on in Hastings-on-Hudson, with a generous yard and an old-time aesthetic to it: a picturesque, classic American house that can grow with modern tastes."

STRONG INVENTORY

An equally impressive menu of activities, and a strong inventory of available housing, awaits in Fairfield County, with its assortment of larger towns, villages, and more remote areas. Larry Palma, Stamford, Conn.-based broker for William Pitt Sotheby's, is highlighting his listing at 55 Cook Road, located within the Davenport Point Association in Stamford.

"Davenport Point Association, along with Dolphin Cove and Southfield Point Association, form the Waterside section of Stamford, along Long Island Sound on the Greenwich border," he explains. "These three waterfront communities offer a vibrant oasis for homeowners looking for private beaches, deep-water docks, paddle-boarding, tennis, swimming, fishing or just an evening stroll with a saltwater breeze at your back. They're a short distance to either the Old Greenwich or downtown Stamford train

stations; the commute is less than an hour to Grand Central Terminal.

"The average commuter is comfortable with that 40-mile commute to Manhattan, because smartphones enable productive connectivity on the train."

Bonnie Hut Yaseen, a Scarsdale, N.Y.-based broker at Houlihan Lawrence, testifies that the two counties can offer a shorter commute than from Manhattan's Upper East and West Sides.

"It's the easy lifestyle that propels a move to the suburbs and keeps people happy once they're here," she says. "The city of Rye, located on Long Island Sound, is often one of the first places they look. It's just 25 miles north of Manhattan, and features a 62-acre town park along the waterfront."

"I have a listing at 920 Forest Avenue in Rye that's a five-bedroom, five-bath home on an acre on Milton Point. It's a 1968 classic colonial, offered for \$2,850,000, a stone's throw from the park. Its open floor plan is perfect for a

quick update, or can be added on to, given the size of the lot. It's bright, has great flow, and offers the room count that many buyers are looking for at over 4,500 square feet. The quiet lot is private, level, and surrounded by specimen trees."

Mamaroneck similarly hugs the Long Island Sound and is adjacent to Rye. Ms. Yaseen has a listing there directly on the water at 1350 Flagler Drive, offered at \$3,250,000.

"This is a rare treat in that it offers open water access and a private heated pool on 0.42 acres," she says. "It's a four-bedroom, four-bath colonial with a wall of windows overlooking Long Island Sound. It's located in a private gated community, with a community dock and a large sandy beach for all residents."

"If it's golf and swimming you like, Scarsdale might be for you. It's also a quick commute to Midtown, and has a golf course open to the public and adjacent to the Scarsdale Pool. Scarsdale Village also offers a year-round farmers' market."

PHOTO BY BRYAN HAEFFEL



This home, at 55 Cook Road, is located within the Davenport Point Association in Stamford.

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you can go and not see anyone. We have skating rinks in the winter; there's the wonderful walkability of our villages and towns. You can go kayaking in the Hudson River; you can join a crew club; you can take a short walk to a restaurant or bar just like in the city, but in a more convivial atmosphere. It's easy to blend outdoor life with commuting and getting your work done."

Ms. Murphy notes the vibrant life mix in river towns such as Tarrytown, Hastings-on-Hudson, Ardsley, Irvington, and Port Chester, which offer a great



The new William Pitt and Julia B. Fee Sotheby's International Realty marketing campaign revolves around the firm's core belief that everyone deserves the exceptional. The company understands that the nature of real estate is such that anyone who enters it—from people who buy and sell to agents to the firm's own employees—deserves access to the finest experience possible. With 1,000 of the area's marquee agents and 27 offices throughout Connecticut, the Berkshires and Westchester County, N.Y., the firm aims to stand as the mark of exceptional service, information, people and hospitality, ensuring everyone's success throughout the real estate transaction.

The company developed its new campaign mantra based on this perspective. "Move Up" speaks to those who aspire to work with, and be, the best—whether buyers seeking to move up to a better house or work with a better agent,

sellers seeking to list with a better company, or agents seeking to work with the best real estate brand. The company provides its agents the tools to succeed to the next level, including the most sophisticated marketing and international connections. On a larger scale, the global Sotheby's International Realty brand too fits into the "Move Up" proposition, with a name synonymous with service and quality.

The invitation extended by the campaign is hard to resist: Move up with us, and experience the exceptional.

To learn more, please contact Monique Rafferty, William Pitt and Julia B. Fee Sotheby's International Realty Director of Marketing, at 203.644.1478 or mrafferty@wpsir.com.

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NORTHERN WESTCHESTER SECOND-HOME MARKET CONTINUES TO GROW



644-646 Harris Road, Bedford Hills, NY

Easily reachable from New York City via a quick car commute or Metro-North train, Northern Westchester County is once again proving a fashionable weekend escape. According to Angela Kessel, an agent with the Bedford brokerage of Houlihan Lawrence, 2017 was the strongest year for the local second-home market since the Great Recession.

"Second-home buyers from Manhattan and Brooklyn are looking for an easy getaway," Kessel remarked. "A home they can use on the weekends and have the option to commute from during the week, if necessary."

She noted the number of weekend buyers she worked with doubled just over the past year. Many are

discovering cultured communities like Bedford, Pound Ridge or North Salem are an ideal alternative to the Hamptons.

"My buyers want privacy, and they want amenities like a pool or a separate cottage or space for guests," explained Kessel. "They're enamored with whole farm-to-table movement and they love shopping in the local farmers markets."

Other attractions in northern Westchester include the Katonah Museum of Art, Caramoor Center for Music and the Arts in Katonah, and several magnificent county-owned parks, including the 4,315-acre Ward Pound Ridge Reservation in Cross River and Lasdon Park and Arboretum in Somers.

"I'm bullish on the market for 2018," Kessel added. "The financial and technology sectors look strong, and I think home buyers from these markets will continue to look to northern Westchester for both primary and second homes."

Connect with Angela Kessel: akessel@houlihanlawrence.com angelakessel.houlihanlawrence.com



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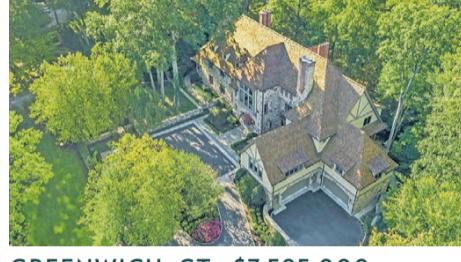
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**Special Advertising Feature
WESTCHESTER AND FAIRFIELD COUNTIES**

Residents Love the Lifestyle Variety

YOU CAN OPT TO BE A HERMIT OR A SOCIAL BUTTERFLY—OR BOTH

By Joseph Dobrian

Westchester County, N.Y., and Fairfield County, Conn., are national bywords for the peaceful, prosperous suburban lifestyle. You can choose an estate with acreage; a house of almost any size in any of a wide variety of communities; or an apartment in a friendly town with a relaxed environment.

EASILY ACCESSIBLE

Cultural activities, fine dining, "retail therapy" and physical recreation are all plentiful here. Manhattan is minutes away by train; the Hamptons, the Catskills and the New England states are all easily accessible.

Dr. Teresa Piliouras, CEO and founder of an IT consulting company, lives and works in the town of Weston, one of the smaller, more remote options in Fairfield County. There, she says, she can "be a hermit" whenever she chooses.

"Weston is notable for its minimum two-acre zoning, a big beautiful school campus, lots of woods and wildlife, and open spaces," she says. "It's a town of about 10,000, and strictly residential. We have some very powerful business people, and a surprising number of entrepreneurs, hidden away here."

"We have one tiny speck in the middle of town where there's a grocery store, dry cleaner, fast food store, real estate office, hardware store, gas station, and

pharmacy—and it's amazing how these tiny little stores will have anything you need. You can take wonderful day trips from here.

"The town of Westport is right next to us, and has a lot more going on. I love to hop on a train and go to Manhattan to see a show or visit a museum, and I always meet so many interesting people on the train to the city: I'm never disappointed!"

"CULTURAL ACTIVITIES, FINE DINING, 'RETAIL THERAPY,' AND PHYSICAL RECREATION ARE ALL PLENTIFUL HERE."

Singer and actress Laura Jean Fumia, who lives in Eastchester, says she likes the easy commute into the city, as well as an urban lifestyle that's less hectic than the Bronx, where she grew up.

LESS EXPENSIVE

"Groceries, gasoline, and so on are less expensive here," she says, "and the commute into Manhattan can be easier than from the outer boroughs. I'm in Manhattan in half an hour, on the Metro North. I'm a city girl, so I like having people around me, but there are fewer of them here, and I know my neighbors."

"I work in the city, but there's quite a lot of theatre in Westchester, and lots of restaurants.

*For many, Westchester and Fairfield bring to mind a friendly, relaxed yet vibrant way of life in the suburbs.*

Some of the communities here are expensive, but it's a big place: you can still find good deals."

Jeremy Ezra, executive vice president at RKF, a retail leasing firm, remarks that White Plains has an iconic shopping destination with a great mix of contemporary fashion and luxury brands, but other options abound.

"If you want a more charming experience, with a good mix of national, local and international brands, you have Greenwich, and downtown Westport. We're also seeing boutique fitness clubs: more highly specialized operations. Greenwich has some wonderful dining options; so does Stamford. White Plains has some good corporate-type dining options and a late-night bar scene."

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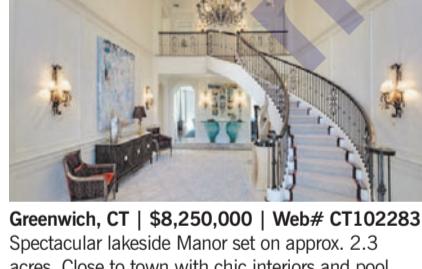
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**Special Advertising Feature
WESTCHESTER AND FAIRFIELD COUNTIES**

Year-Round Recreation Appeals to Homebuyers

THE PROPERTY MARKET REMAINS STRONG BECAUSE OF THE RANGE OF ACTIVITIES AVAILABLE

By Joseph Dobrian

Many people looking for a home in Westchester County, N.Y., or Fairfield County, Conn.—whether they're coming from New York or other parts of the world—wonder whether the area will have enough amenities and recreational activities to keep them occupied. Also, does the area have a personality of its own? Does it offer a lifestyle that can't be found elsewhere? Residents and real estate professionals agree that these two counties have year-round appeal, with plenty to do in all four seasons. New York is right nearby if you want it—but the local lifestyles are what give these suburban communities their allure.

LIFESTYLE TOOLS

"Not only do we market our properties; we market the particular towns' lifestyles," explains James Gricar, general sales manager at Houlahan Lawrence.

"People coming in from other parts of the world want to know what there is to do here—not just where to find the best dry cleaner, but the best place to pick apples in the fall—so we have a lifestyle Web site, northof.nyc, and Journeys, the printed version. These tools help our customers learn about our markets before they visit. The Web site is divided by lifestyle: the Villager, the Equestrian, the Trailblazer, the Waterfront, the Locavore, the Cosmopolitan."

"THESE TWO COUNTIES HAVE YEAR-ROUND APPEAL, WITH PLENTY TO DO IN ALL FOUR SEASONS."

Westchester County offers more of an urban experience, including cities like White Plains and Yonkers, but the northern parts of the county are somewhat more countrified. Fairfield County has larger towns like Greenwich and Westport, but plenty of little villages and countryside as well. Favorite activities in both areas—and in the counties to the north—include various fall festivals and food events, pond-skating in the winter, and plenty of golf.

"And horses, horses, horses," Mr. Gricar adds. "You'll find equestrian properties especially in northern Westchester, and many of our customers want a property where they can keep at

COURTESY OF HOULIHAN LAWRENCE



COURTESY OF HOULIHAN LAWRENCE

*Sailing and horseriding are two of the most popular activities for residents in these counties.*

least one horse. Most people don't associate our market with the beach, but most towns have great beach amenities.

The biggest activities in the eastern part of our market are water-based—and we have many more bodies of water here than most people think. Hiking around the watersheds is a big deal. This is a small region, but—topographically and culturally—the towns are so different from one another."

LIVELY ARTS SCENE

Mr. Gricar adds that the area has a lively arts scene, with the focus on contemporary art. Overall, he says, the lifestyle is "a combination of East Coast cosmopolitan and New England earthy.

"Our customers want to know, 'Are the basics here?' and of course, they are, but they want to also know, 'Am I moving

somewhere special?' They want to know that there's character up here, a point of view, a lifestyle that's different from what they're used to but familiar as well. Northof.nyc lets them see this area in contexts other than the house they're buying or the schools they'll send their kids to."

Joan Wright, realtor at William Pitt Sotheby's, says Westport, Conn., is an artistic community, with many waterfront amenities, "more sophisticated and diverse than many other towns."

"Westport sells itself," she says. "It's a 70-minute commute by train to Manhattan. We have great beaches, boating, an 18-hole golf course for Westport residents, and plenty of private [golf] courses in nearby towns."

"Weston is directly north of Westport: about as big geographically but with

about one-third of the population. Weston is a little more affordable; you might prefer Weston if you want more privacy and land. Weston also has award-winning schools.

"The town of Fairfield includes Southport, which is known for its historic village on Southport Harbor."

New construction is always in demand, Ms. Wright adds, but that comes at a premium. House prices usually drop the farther the property is from a downtown area.

"Colonials are still the most popular architectural style," she says, "but some buyers want a 'transitional' interior, with more modern finishes. Fewer people are looking for a formal living room; they want a family room or open space that connects to the kitchen."

"Home offices are important too, and everyone wants an island in the kitchen that becomes a hub for the family. Kitchen finishes have moved on from granite. Today's customer wants quartz materials."

STEADY PRICES

Kathleen Collins, broker at William Pitt Sotheby's Realty, notes that prices seem to be holding pretty steady in Westchester, although she has seen a pause in the market and some price declines because of the recent questions about tax reform, and the prolonged winter. But, she says, she's confident that business will stay strong, largely because of the amenities available in Westchester.

"The county has 18,000 acres of park land," she notes, "with golf courses, pools, and other amenities. We have lots of small villages with great restaurants; you're convenient to the beaches on Long Island Sound and walking trails. Within 45 minutes you could be on an ocean beach on Long Island, or skiing upstate."

"Each of our villages has its own special characteristics. I'm located in Bronxville, a small, very urban/suburban community of one square mile where you can walk everywhere, so you're not spending as much time in the car as you might [living] in other parts of Westchester."

"Like Bronxville, Rye has a vibrant downtown; Irvington has a great waterfront park. Larchmont is another of my favorites. I especially love our river towns. Westchester has some of the best public schools in the nation, which is a great attraction to younger families."

Joseph Dobrian is a freelance writer specializing in real estate matters.



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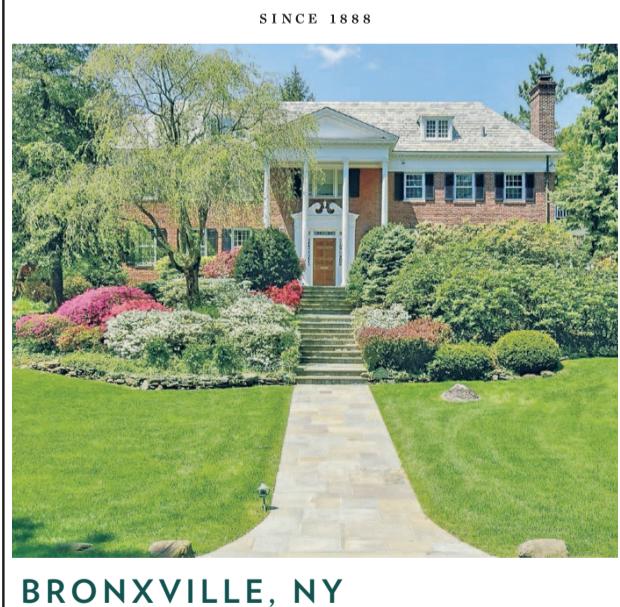
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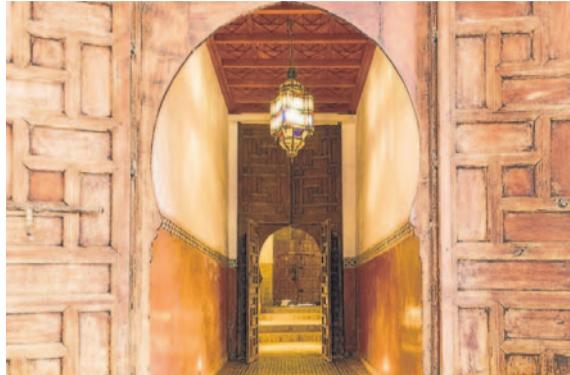
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MANSION

LIVING HISTORY

A Renovated Riad That's Fit for a Sultan

A French couple combined three historic riads to create a palatial space; now listed for \$3.64 million



BY RUTH BLOOMFIELD

IT TOOK THREE YEARS and dozens of artisans—plus a fleet of donkeys—to create Villa Athena, an 11,496-square-foot home in Marrakesh, Morocco, fit for a sultan.

Jean Dominique Leymarie and his wife, Marielle, both 71 years old, first decided to buy a vacation home in Morocco as an escape from the cold winters of their home in northern France.

In 1993 they spent about \$300,000 on a fully renovated riad in Marrakesh's old city. A decade later the rundown riad next door came on the market, and Mr. Leymarie, a civil engineer by trade, agreed to buy it, too, for \$364,000. Soon thereafter, another adjacent riad came up for sale, also in need of restoration, and so he bought that one also.

His total investment came to around \$725,000 and, after a lengthy renovation, the resulting property now has 12 bedrooms and 10 bathrooms, plus three courtyards and a sequence of roof terraces.

In 2006, Mr. Leymarie sold the golf club he had built and run in France and began work on a new venture, opening a boutique hotel in Marrakesh. He now has four. In 2008 the couple and their dog, Bis, moved full time to Morocco, where Mr. Leymarie could manage the renovation.

"The riads were in horrible condition, like a ruin. There were no bathrooms, nothing," he said.

Despite the age of the riads—which Mr. Leymarie believes date from the 17th or 18th century—some of their original architectural features were intact, giving clues to how to go about the project, which Mr. Leymarie estimates ended up costing between \$970,000 and \$1.2 million.

Some of the columns in the central courtyard still stood, and those that had collapsed were replicated. Similarly he had missing sections of hand-carved cornicing restored. Rather than attempt to pass them off as authentic parts of the original fabric of the building he chose to leave them unpainted, as a record of the restoration.

The practicalities of building in an ancient city were challenging. Building materials had to be conveyed by donkey and cart in streets too narrow for trucks. "We had to make thousands and thousands of journeys with the donkeys," he said.

In furnishing the home, Mr. Leymarie remained faithful to tradition. Lustrous tadelakt (a form of polished plaster) has been used on walls and bathrooms, clay floor tile was laid indoors and out in a herringbone pattern as a counterpoint to vivid sections of mosaic.

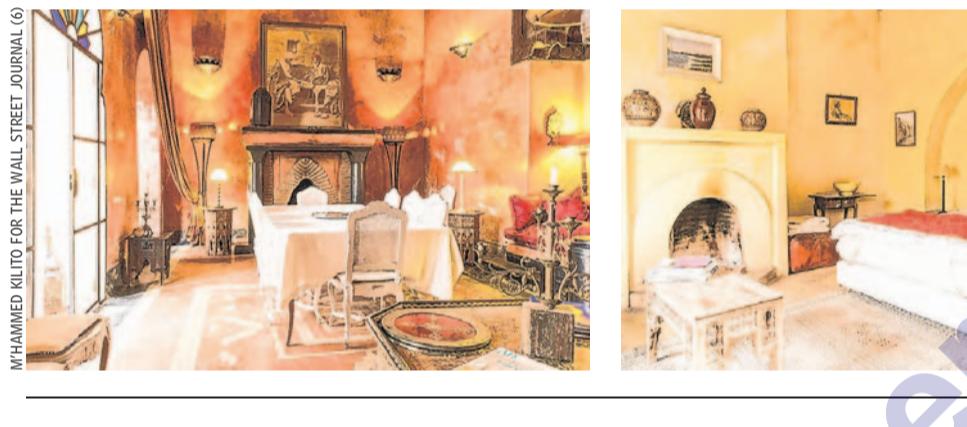
Some rooms have painted cedar ceiling beams, others have carved cedar doors. Rooms are lighted by lanterns, and their flickering light adds to the sense of drama. One of the bedrooms features a domed ceiling with brickwork laid out in a pattern of stars. Minimalists would hate it.

This labor of love is now for sale, listed for \$3.64 million with Kensington Luxury Properties. Mrs. Leymarie is looking to downsize to a more peaceful location, although Mr. Leymarie is less enthused.

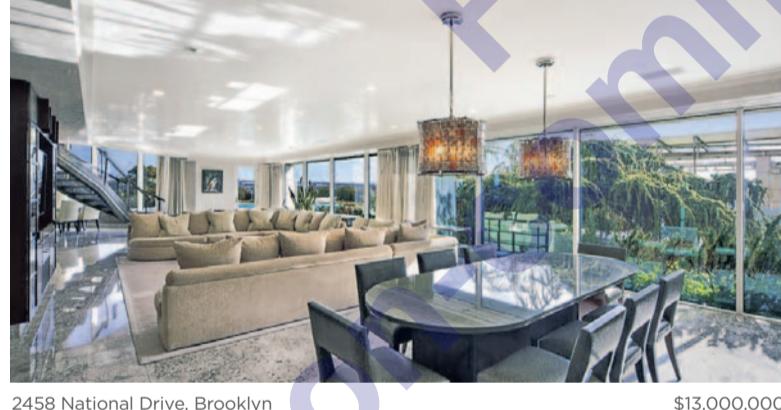
"I live in a palace," he said. "To me that is much more fun than to live in an apartment. It is like magic. But for two people it is too big, so we will see. If someone comes along who likes this type of life we will sell it."



EXOTIC DECOR
Clockwise from top left:
traditional arched doorways
and a colorful sitting room;
homeowner Jean Dominique Leymarie;
one of the 12 bedrooms;
the dining room;
and an outdoor living room.



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MANSION

THE EXOTIC—AND CHAOTIC—MEDINA

Continued from page M1

craftsmanship as much as the wealth and prestige of the owner.

"A riad really encapsulates a whole culture and philosophy," said Grant Rawlings, owner and founder of real-estate agency Chic Marrakech. "They are enclosed and hidden away, a private, sacred space. Everything has meaning—even the door knockers, which come with amulets to ward off bad luck."

Marrakesh's old city—or medina—has been tempting overseas buyers ever since the 1960s, when the likes of Yves St. Laurent and Talitha and John Paul Getty Jr. made it fashionable. Their interest has helped keep this niche property market stable over the past decade, while prime values in other parts of Marrakesh have fallen 30%, according to estimates by local agents.

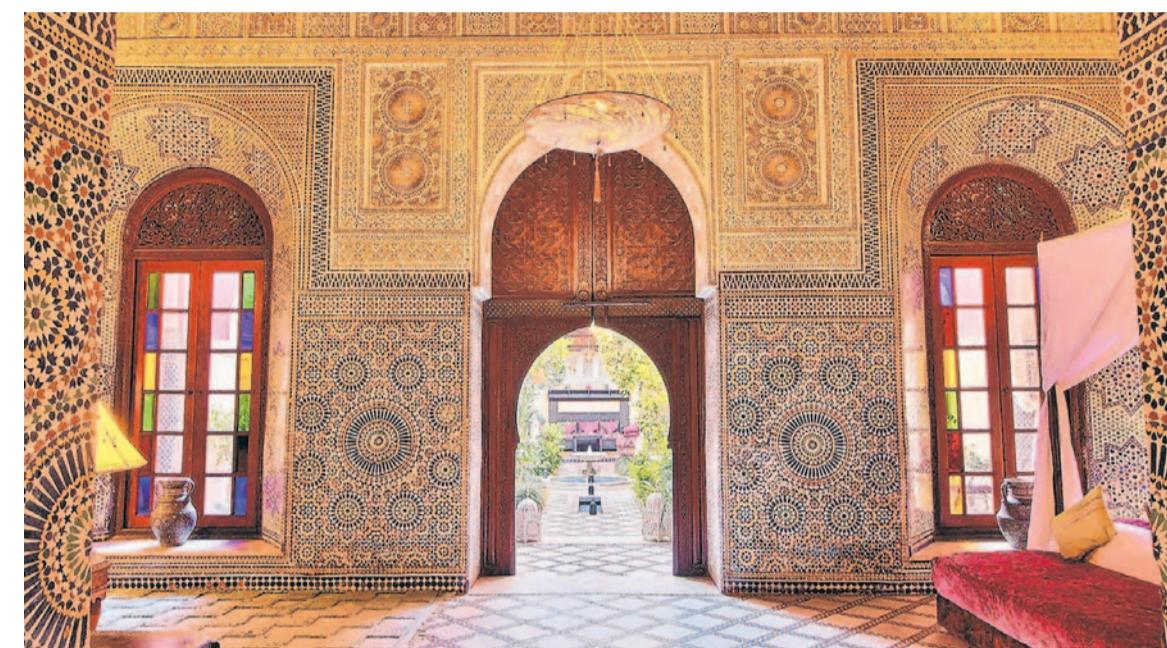
Riads are also affordable compared with homes in major European or North American cities. A two-bedroom riad of around 800 square feet would cost between \$150,000 and \$170,000, estimated Mr. Rawlings. A four-bedroom, 2,000-square-foot riad around \$300,000 to \$340,000. At the upper end, roughly \$2.5 million would buy a 5,000- to 6,000-square-foot riad big enough for a large family or a boutique hotel.

Currently listed, with Barnes International Realty, is a roughly 3,600-square-foot riad close to Marrakesh's famous souks, on the market for just over \$1 million. The five-bedroom, five-bathroom property has a courtyard tiled with clay tiles, and a heated swimming pool. Some of the ceilings and doors are exquisitely painted.

The majority of riads are sold to foreigners—young Moroccans tend to prefer more modern environs, said Maude Fajas, director at Emile Garcin Properties. "People come from London, Paris, Geneva and they have a really normal, clean, organized life," she explained. "They come to the medina and they fall in love with the small streets and the food, and the very



CITYSCAPE Above, from left to right: street scenes in the Dar El Bacha neighborhood in the medina of Marrakesh; pedestrians near the Ben Youssef Mosque; and a selection of carpets on display in the marketplace.



ANCIENT ART This riad features elaborate mosaic tilework and stained-glass windows. It is listed for about \$875,000.

FROM TOP: JAMES RAJOUTTE FOR THE WALL STREET JOURNAL (3); EMILE GARCIN PROPERTIES

On the Market

\$270,000

Three bedroom in 2,045 square feet

This 2,045-square-foot riad has been renovated in a neutral, contemporary style but using traditional Moroccan materials, such as polished tadelakt plaster. The bedrooms and two living rooms overlook a central patio garden, and there is also a roof terrace. Price includes furnishings.

Agent: Barnes International Realty



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► Inside a richly renovated riad listed for \$3.64 million M7

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MANSION

SPREAD SHEET | ADAM BONISLAWSKI

THE PRICIEST HOMES SELL FAST—OR DROP

Homes in Bel-Air, Brentwood lose value; Palo Alto properties hold up

WHAT difference does a day make? About \$44,000 if you live in Bel-Air.

That's how much the priciest homes in the upscale Los Angeles neighborhood depreciated each day they sat on the market in 2017, according to real-estate firm Concierge Auctions.

The company collected data from Multiple Listing Service and other public sources on the 10 most expensive homes sold in 2017 in 40 U.S. markets. It looked at how many days these properties spent on the market and what percentage of their original asking prices

they ultimately achieved. The upshot? Sell fast or you'll have to sell low.

"The data shows that a property either sells very quickly out of the gate for a high percentage of its asking price, or it lingers on the market and sells at a much later date for a much lesser percentage of the original listing price," says Laura Brady, president of Concierge Auctions.

In terms of daily depreciation, Bel-Air led the way with its eye-popping \$44,000 figure. Another tony L.A. neighborhood, Brentwood, placed second, with properties there losing an average \$25,000 a day. Palm Beach, Fla., came in third, with a \$22,000-per-day drop.

Other places saw big gaps

between original listing price and ultimate sale price. Vero Beach, Fla., performed the worst on that score, with properties selling for just 62% of their initial ask. Greenwich, Conn., was next, with properties there selling for 65% of their original asking price. The priciest properties in Atlanta managed only 66% of their initial price.

Of course, the survey's sample size of 10 properties per market is small. And, Ms. Brady notes, it's hard to say if the owners' original prices were reasonable.

Tech redoubts San Francisco and Palo Alto were the most robust markets surveyed, with the most expensive properties selling for, respectively, 95% and 94%, of



KEVIN WHIPPLE

Mounting Losses

A look at the 10 priciest home sales in local markets in 2017 and how much the asking price fell each day the properties went unsold.

	Avg. sale price of the top 10 transactions	Avg. days on market	% of original list price reflected in the sale price	Price drop per day
Holmby/Bel-Air, Calif.	\$24,418,500	251	68.8%	\$44,088
Brentwood, Calif.	\$15,200,000	154	79.8%	\$24,958
Palm Beach, Fla.	\$28,362,528	476	72.7%	\$22,358
Beverly Hills, Calif.	\$24,352,500	347	75.9%	\$22,239
Greenwich, Conn.	\$16,629,200	478	64.8%	\$18,912
Miami	\$22,871,100	608	68.2%	\$17,580
Malibu, Calif.	\$19,120,095	480	74.8%	\$13,406
Orange County, Calif.	\$20,981,200	589	73.2%	\$13,051
Naples, Fla.	\$14,045,000	409	73.7%	\$12,273
San Francisco County	\$12,892,500	55	95.3%	\$11,591

Source: Concierge Auctions

their original asking prices. A relatively brisk sales pace was key. Surveyed homes sold in an average of 55 days

in San Francisco and 180 days in Palo Alto.

By contrast, the most expensive properties in Nash-

ville, Tenn., took an average of 1,062 days to sell, and when they did it was for 73% of their original asking price.

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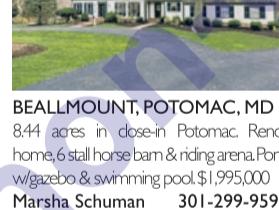
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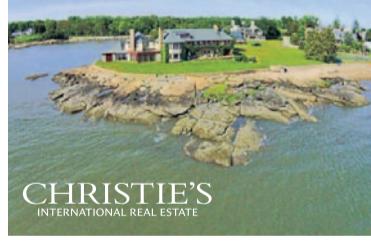
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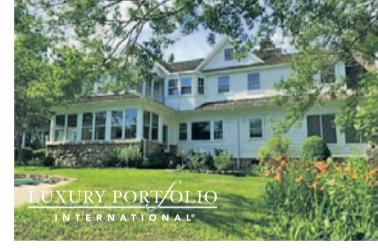
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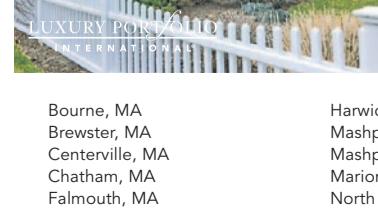
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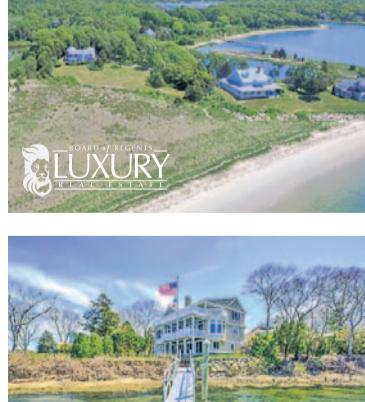
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HOUSE CALL | MARCIA GAY HARDEN

She Just Needed A Push From Mom

The actress lost a bet with her mother and won an Oscar; today, a Mar Vista home in L.A.



My mother wasn't a stage mom but she was convinced I had talent. In the early 1980s, fresh out of college with a major in theater, my plan was to work odd jobs and audition in Washington. But I was stubbornly insecure.

My mother, Beverly, sensed my anxiety. One weekend, when I visited my parents' home in Virginia, she pulled out an article about auditions for a local production of Neil Simon's "I Ought to Be in Pictures."

I insisted it was a musical and resisted. My mother gently offered to call to see if it was a musical. I

said, "fine," so she called. It wasn't a musical. I auditioned and got my first professional theater part. What's more, I received good reviews and won an award. More plays and good reviews followed. Somehow, my mother knew that if she just got me to the edge, I'd fly.

When I was little, my family

lived in a three-bedroom ranch house in Garden Grove, Calif. My father, Thad, was a naval officer who rose to the rank of captain. He'd be away for six months at a stretch. The person who maintained the ship at home was my mother. There were five kids—I was the middle child.

All in all, we were good kids. This had a lot to do with my mother's lightheartedness and kindness. Her voice was soft and reminded me of Snow White. She also loved planning fun events to keep us occupied. May 1 was always a big deal. The night before,

TRAVELER Marcia Gay Harden in New York City in March, left, and in the early 1960s, on right, with her family in Long Beach, Calif., inset.

we gathered flowers in the garden. The next morning, we made little bouquets and "Happy May Day" cards. Then we left them hanging on neighbors' doors.

When I was 8, in 1967, my father was transferred to Japan, where he helped command a ship. Our house was on the naval base, halfway up a hill. It was magical.

My mother became a sexy, determined, '60s woman who wore asymmetrical dresses in orange and yellow.

Our house had a front porch, where we put on plays for families on the base. The first was "The Princess and the Pea." I pretended to stagger while carrying a heavy cake, and the audience laughed. I thought, "They think I'm funny. This is clearly something I need to be doing."

The house that changed me most was in Greece. In 1976, my dad was appointed commanding officer at a base in a town called Nea Makri, on the eastern coast. We rented the house of a shipping magnate. The furnishings were beautiful, and the house looked down at the bluest water.

Finally, I had my own bedroom. It was circular with french doors that opened to fragrant trees in our backyard. Each day I was overcome by the smell of jasmine, lemon and orange trees and roses. There was an intoxicating sensuality there, and I fell in love with the country.

I spent my first year in college in Greece. Acting became a passion after I watched ancient Greek plays performed at the foot of the Acropolis in Athens. When I moved to Munich for my second year of college, I began to take acting seriously. During a rehearsal, my teacher said, "Oh, (pause), you're good."



After my last year of college at the University of Texas, I moved to Washington, D.C., then to New York. I waited tables at the Pierre Hotel and went on auditions. By then, all of my friends were buying stereos and having babies. I didn't have anything except a fifth-floor walkup in the West Village.

My parents were supportive, in their own way. My dad dropped hints about me studying computers as a fallback. Then NYU gave me a full scholarship to its graduate program in theater. My mother said, "At least she'll be able to teach."

In 1988, I auditioned for Joel and Ethan Coen. The directors were casting unknowns for their movie, "Miller's Crossing." Months later, when I was in my kitchen, my agent called. "You got the part!" he said. I fell to my knees. My first major film role. I called home.

My dad said, "Fan-blanking-tastic." My mother said softly, "Oh, Marcia Gay!"

Today I live in Mar Vista, in Los Angeles. My house is Spanish Mediterranean, but old. The four-bedroom house is about me and my three kids.

On one side you can see the Pacific and on the other the mountains. But they aren't sweeping views. What we have is privacy.

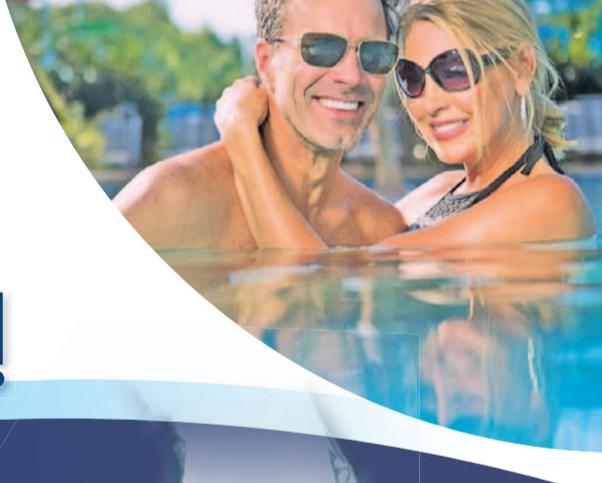
My father died in 2002. My mother today has Alzheimer's. I don't measure what stage she's in, but she's handling the disease with grace. When I ask, she says the most important things to her are love, flowers and her family. This is the same woman who pushed me to audition. I don't want Alzheimer's to be her legacy.

—As told to Marc Myers

Marcia Gay Harden, 58, is an Oscar-winning actress who has appeared in more than 50 films, including "The First Wives Club," "Pollock" and "Fifty Shades of Grey." She is the author of "The Seasons of My Mother" (Atria).

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