

THE WALL STREET JOURNAL.

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DJIA 24739.53 ▲ 196.99 0.8% NASDAQ 7404.97 ▲ 0.9% STOXX 600 391.97 ▼ 0.1% 10-YR. TREAS. ▲ 7/32, yield 2.971% OIL \$71.36 ▲ \$0.22 GOLD \$1,320.80 ▲ \$9.50 EURO \$1.1917 YEN 109.40

What's News

Business & Finance

U.S. companies are buying back their shares at a record pace, providing fresh support for the stock market. **A1**

◆ **Apple and Goldman** are preparing to launch a joint credit card that would carry the Apple Pay brand. **A1**

◆ **Wells Fargo** said it would remain constrained by a Fed-imposed asset cap for longer than expected. **B1**

◆ **AXA Equitable's IPO**, the largest of the year, received a weak reception as shares made their debut at a price well below expectations. **B1**

◆ **A U.S. report** offered signs inflation's acceleration is moderating, potential good news for workers who have felt minimal gains from pay raises. **A2**

◆ **Stocks advanced** as fears about runaway inflation abated. The Dow climbed 196.99 points to 24739.53. **B1**

◆ **ZTE's customers** are reassessing their ties with the hobbled Chinese telecom company following the shutdown of assembly lines. **B1**

◆ **Auto officials** are heading to a White House summit as the administration seeks to forge a common stance on fuel-economy rules. **B2**

◆ **RBS agreed** to pay \$4.9 billion to settle with the Justice Department over toxic mortgage securities. **B10**

◆ **Dropbox added** about half a million paying customers last quarter, helping boost revenue by 28%. **B4**

◆ **Symantec is looking** into unspecified financial issues and warned it may have to amend results. **B4**

World-Wide

◆ **The U.S. levied sanctions** on an Iranian financial network and accused Tehran's central bank of helping funnel U.S. dollars to a blacklisted elite military unit. **A1**

◆ **Israeli warplanes made** dozens of strikes against Iranian infrastructure in Syria, showing Israel's determination to dislodge Tehran's forces from its border. **A6**

◆ **Trump said** he would meet with North Korea's Kim on June 12 in Singapore, hours after he welcomed home three freed U.S. citizens. **A9**

◆ **Damage to a nuclear test site** that Kim promised to shut is more extensive than thought, a study found. **A9**

◆ **Nafta negotiators** are focusing on auto rules as they face hard deadlines, raising the possibility of less drastic changes in other areas. **A2**

◆ **The U.S. military** has concluded that "no single failure or deficiency" was behind the ambush that killed four service members in Niger. **A3**

◆ **Essential Consultants**, the firm set up by Trump lawyer Cohen, has become a nexus in federal probes buffeting the administration. **A5**

◆ **Russian propagandists** grew increasingly sophisticated as they meddled in the 2016 election, ads purchased on Facebook revealed. **A5**

◆ **Iraq's intelligence agency** said it captured five top Islamic State members this year in a raid coordinated with the U.S.-led coalition. **A7**

◆ **Trump plans** Friday to outline initiatives aimed at curbing drug prices. **A4**

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Show of Force After Iranian Rockets in Syria Target Israel



ON GUARD: Israeli tanks and soldiers gathered near the Syrian border in the Golan Heights on Thursday, following Israel's military strike against Iranian infrastructure in Syria. The counterattack was in response to Iranian rockets fired at Israeli forces in the Golan. **A6**

Buybacks Surge, Steadyng Market

BY BEN EISEN
AND AKANE OTANI

U.S. companies are buying back their shares at a record pace, providing support for the stock market when many investors have rushed for the exits.

S&P 500 companies that have reported earnings for the first three months of 2018 bought \$158 billion of their own stock in the quarter, according to S&P Dow Jones Indices. About 85% of S&P 500 components have reported so far.

That is on pace for the biggest amount in any quarter, based on data going back to 1998. The move has been fueled in part by a new tax law that is freeing up cash and encouraging companies to bring back money held abroad.

Cash-rich businesses are also raising dividends swiftly.

Gobbling Up

With results in from 85% of S&P 500 companies, corporations are on track to buy back a record amount of shares in the first quarter of 2018. S&P 500 share repurchases, quarterly:



*Data through Thursday; 15% of companies have not reported earnings.
Source: S&P Dow Jones Indices

THE WALL STREET JOURNAL

S&P 500 companies are on pace to have returned almost \$1 trillion to shareholders for the 12 months through March through dividends and buybacks.

"The reason these compa-

nies are buying their stock is that they're smart enough to know that it's better for them than anything else," said Charles Munger, vice chairman of Berkshire Hathaway Inc., at

the company's annual meeting last weekend.

Early signs suggest share repurchases have been effective, even in a year in which stocks have been tested by uncertainty around global trade, the path of interest rates and regulation around the technology industry.

Of the 20 S&P 500 companies that spent the most on buybacks over the first quarter, nearly three-quarters have outperformed the index so far this year. The group has risen an average of 5.2% in 2018, compared with the S&P 500's 1.9% gain, according to a Wall Street Journal analysis of S&P Dow Jones Indices data.

Apple Inc., the largest U.S. Please see STOCK page A4

◆ AXA Equitable stumbles with largest IPO of the year..... B1

Fall of Malaysia's Ruling Party Shakes U.S. Ally

In power for six decades, it was undone by a corruption scandal; new leaders signal shift in China policy

BY JAMES HOOKWAY AND TOM WRIGHT

KUALA LUMPUR, Malaysia—Around 2 a.m. Thursday, the global ramifications of a shocking political turn started to unfold: A 92-year-old former prime minister, returning after a long absence, would reclaim office and upset the balance of power in a strategically vital region—rethinking deals with neighboring China and accelerating investigations of a sweeping international corruption scandal.

The parliamentary election brought back to power Mahathir Mohamad, Malaysia's

ruler from 1981 to 2003, who had soured on his onetime protégé Prime Minister Najib Razak and assembled a coalition of former political foes to unseat him. The voting marked the first time Mr. Najib's party was out of power since Malaysia won independence from Britain in 1957.

The result cast Malaysia in contrast with much of the rest of Southeast Asia, where fragile democracies have struggled or one-party rule has persisted. Thailand has been

Please see VOTE page A10

◆ Malaysia vote shocks investors..... B1



Mahathir Mohamad, 92, has returned to power as the Malaysian prime minister, after leading his coalition to an upset election victory.

Today's Special: Way Too Many Options for One Sandwich

* * *

Restaurants are driving patrons down a rapid assembly line of possibilities

BY JULIE JARGON

Before Domineen Wyrrick went to a Smashburger in Moore, Okla., last month, she checked the menu online and knew what she was going to order—a regular cheeseburger and fries.

When she got there, the cashier asked if she wanted to upgrade to the rosemary, garlic and olive oil fries. Ms. Wyrrick froze. She could feel her heart sort of thumping, she says, and her mind went blank. She blurted out "yes" even though she meant "no."

"I don't even like rosemary," said Ms. Wyrrick, a 32-year-old Walmart employee.

As menu choices multiply—and multiply and multi-

ply—diners are suffering from option paralysis. Especially troublesome are assembly-line-style chains in "fast casual" restaurants where diners have just seconds to answer rapid-fire questions such as whether they want tahini or aioli sauce on their chicken shawarma, or prefer the turmeric almonds or pickled ginger on their beet falafel bowl.

The first time Robert Green went to MIXT, a California chain that requires customers to follow four steps to customize a salad, he recalls looking up at a giant menu board listing no fewer than 55 specialty ingredients, from pickled red onions to crispy dukkah chickpeas.

Please see MENU page A10



Don't panic

INSIDE

THE FUTURE OF EVERYTHING MAGAZINE

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SUMMER MOVIE PREVIEW

LIFE & ARTS



Apple, Goldman Sachs Team Up on Credit Card

BY TRIPP MICKLE
AND LIZ HOFFMAN

Apple Inc. and Goldman Sachs Group Inc. are preparing to launch a new joint credit card, a move that would deepen the technology giant's push into its customers' wallets and mark the Wall Street firm's first foray into plastic.

The planned card would carry the Apple Pay brand and could launch early next year, people familiar with the matter said. Apple will replace its longstanding rewards-card partnership with Barclays PLC, the people said.

The Apple-Goldman card could help the companies combat weaknesses in their core businesses. As new iPhone sales growth slows, Apple is focusing on services such as mobile payments, streaming-music subscriptions and App Store sales. Apple Pay, which generates revenue on each transaction, is a

key contributor, but adoption has been slower than executives hoped.

Goldman, meanwhile, is pushing into consumer banking to compensate for a slump in securities trading, where revenue has fallen by two-thirds since the financial crisis. It launched a retail banking business called Marcus in 2016 for online savings accounts and personal loans, and executives have been exploring adding credit cards and wealth-management tools.

The partnership will extend into other services including Goldman offering in-store loans to Apple customers buying iPhones and other gadgets, an effort The Wall Street Journal reported on in February.

Apple and Goldman are still hashing out the terms and benefits of the planned card including the perks for customers, these people said. The current Apple credit card with Barclays offers interest-free financing on purchases up to \$1,000.

Please see APPLE page A2

U.S. NEWS

As Nafta Deadline Nears, Aim Turns to Autos

By SIOBHAN HUGHES
AND WILLIAM MAULDIN

The U.S., Canada and Mexico are focusing on rewriting the auto rules at the center of the North American Free Trade Agreement as negotiators face hard deadlines in an election year, raising the possibility of less drastic changes to other parts of Nafta, according to people following the talks.

A Republican congressional aide spoke of a possibility of negotiators striking a "skinny deal" on Nafta that would include a thorough rewrite of the complicated rules that govern which cars and auto parts can be traded within the bloc without incurring duties. Two industry officials say they expect a deal on new auto rules before the Trump administration's other objectives for the Nafta overhaul are addressed.

Given a rare opportunity to renegotiate the 24-year-old pact, the three countries are still trying to address as many issues as possible. Mexican Economy Minister Ildefonso Guajardo is expected to make concessions to achieve an agreement on the auto rules, but he has repeatedly insisted

that certain other key elements be included in any pact.

U.S. trade representative Robert Lighthizer and Mr. Guajardo have been working hard with Canadian Foreign Minister Chrystia Freeland on the complicated auto rules. The three officials in recent days have agreed on a broad approach to rules that would increase the percentage of a vehicle that has to be sourced from North America. The auto rules would include a requirement that a significant percentage of cars be produced from higher-wage labor to qualify for duty-free treatment in the pact.

But time is running short. House Speaker Paul Ryan said Wednesday that he needs paperwork related to a Nafta deal by May 17 to have time to consider the deal in the House this year, under 2015 "fast track" trade legislation. The deadline is consistent with the timeline laid out by Mr. Lighthizer, who said he needs an agreement in principle next week or the pact will have significantly lower chances of getting a congressional vote this year.

Republicans face the possibility of fewer seats in Congress next year or even the loss of

Driving Nafta Talks

Negotiators are focusing on rules for auto-industry trade between the U.S., Canada and Mexico.

Autos* and auto parts as a share of U.S. merchandise trade with each country



*Passenger vehicles

Source: U.S. Census Bureau

U.S. imports

30%

25

20

15

10

5

0

2010

15

10

5

0

2010

15

10

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U.S. NEWS

Battle Brews Over Felons' Voting Rights

Generally, Democrats favor rolling back laws, while Republicans oppose such moves

BY ARIAN CAMPO-FLORES
AND JON KAMP

As the midterm elections draw closer, Dameon Stackhouse is eager to cast a ballot, but he can't under New Jersey law because he remains on parole after more than a decade behind bars for second-degree robbery.

"We have no say," said Mr. Stackhouse, a 41-year-old construction worker and student at Rutgers University-New Brunswick. "This is one of the worst things you can do to a citizen."

New Jersey is weighing a measure that would immediately restore voting rights to Mr. Stackhouse and more than 94,000 other state residents with convictions. If passed by the state's Democratic-controlled Senate and General Assembly, it would be the third U.S. state, along with Maine and Vermont, to allow people to vote even while incarcerated.

From the Northeast to the Deep South, advocates are working to roll back felon-disenfranchisement laws, saying they are unfair because they strip away fundamental democratic rights and disproportionately affect African-Americans. Those who back the restrictions contend people who have committed felonies need to demonstrate they are truly reformed to regain the vote.

Fights are flaring in several

states, including in Florida, New York and Mississippi.

Forty-eight states remove voting rights in some way from people convicted of crimes, but policies vary widely. Some, like Florida and Kentucky, revoke such rights permanently and require petitioning for reinstatement. Others, such as Indiana and Massachusetts, automatically restore voting rights upon release from prison.

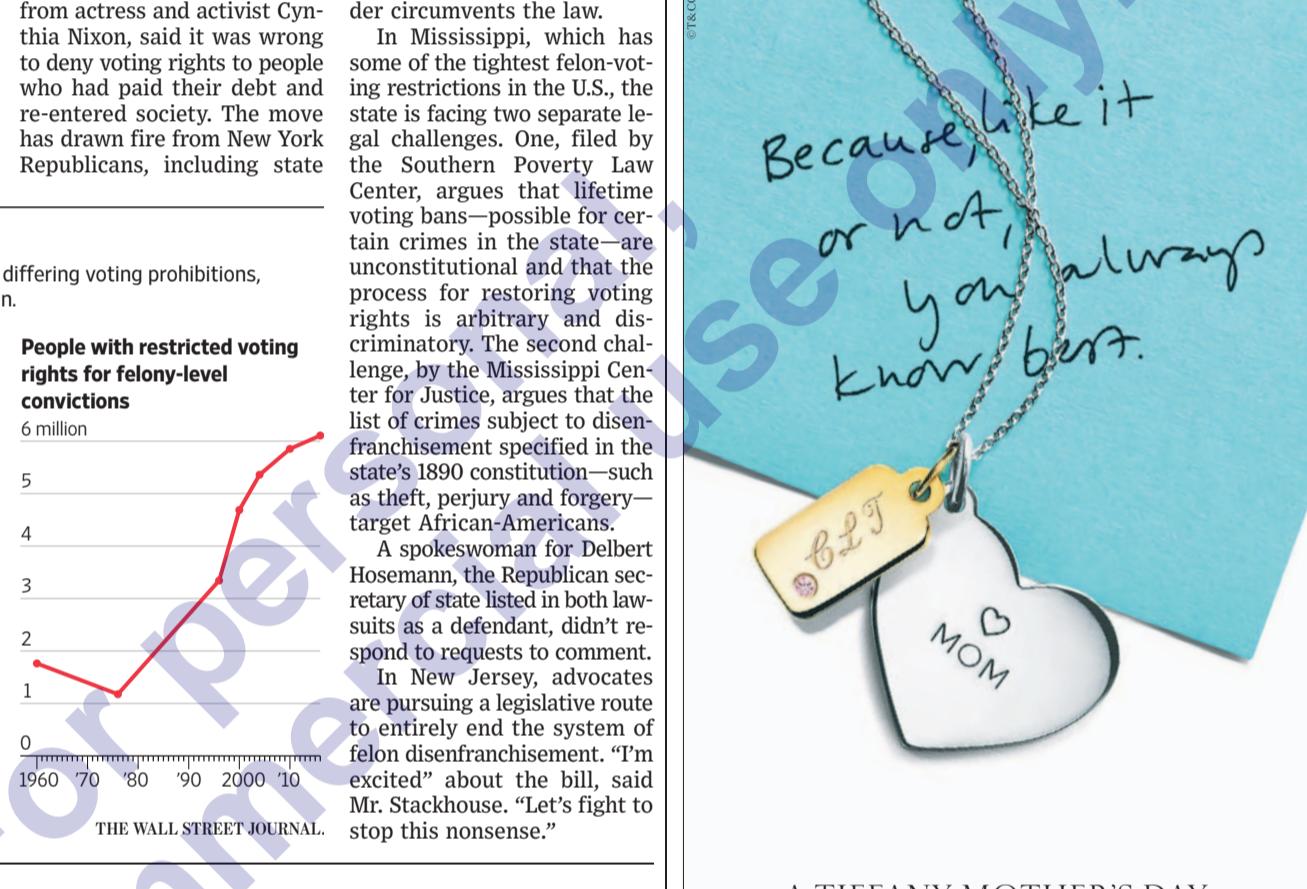
During the past few decades, the general trend has been toward reinstating voting rights, according to the National Conference of State Legislatures. Still, the ranks of those disenfranchised for felony convictions have increased, reflecting decades when incarceration rates were swelling. Between 1976 and 2016, their number grew more than fourfold to 6.1 million, according to the Sentencing Project, which advocates for loosening restrictions.

The election impact of re-enfranchising tens of thousands of new voters in a particular state is unclear. Some researchers have concluded that disenfranchisement laws favor Republicans because those affected are disproportionately minorities, who are more likely to vote for Democrats. "We can see that perception is clearly at work because Democrats are the ones clearly championing" the efforts, said Hannah Walker, assistant professor of political science and criminal justice at Rutgers.

Last month, New York Gov. Andrew Cuomo issued an executive order to restore voting rights to about 35,000 people



Dameon Stackhouse, a construction worker and student who is on parole, hopes New Jersey changes a law to restore his voting rights.



on parole. The Democrat, who is facing a primary challenge from actress and activist Cynthia Nixon, said it was wrong to deny voting rights to people who had paid their debt and re-entered society. The move has drawn fire from New York Republicans, including state

Senate Majority Leader John Flanagan, who argued the order circumvents the law.

In Mississippi, which has some of the tightest felon-voting restrictions in the U.S., the state is facing two separate legal challenges. One, filed by the Southern Poverty Law Center, argues that lifetime voting bans—possible for certain crimes in the state—are unconstitutional and that the process for restoring voting rights is arbitrary and discriminatory. The second challenge, by the Mississippi Center for Justice, argues that the list of crimes subject to disenfranchisement specified in the state's 1890 constitution—such as theft, perjury and forgery—target African-Americans.

A spokeswoman for Delbert Hosemann, the Republican secretary of state listed in both lawsuits as a defendant, didn't respond to requests to comment.

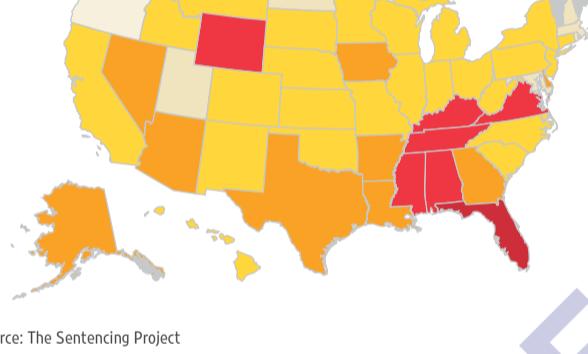
In New Jersey, advocates are pursuing a legislative route to entirely end the system of felon disenfranchisement. "I'm excited" about the bill, said Mr. Stackhouse. "Let's fight to stop this nonsense."

Ballot Rights Revoked

Rates of disenfranchised people vary widely among states because of differing voting prohibitions, but their overall number has risen in tandem with the prison population.

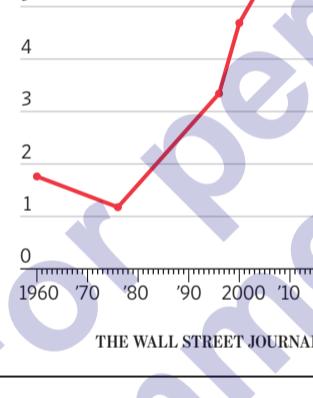
Rates of people without voting rights due to felony-level crime convictions, 2016

No restrictions
<0.5%
0.5-1%
2-4.9%
5-9.9%
10+



Source: The Sentencing Project

People with restricted voting rights for felony-level convictions



Military Lists Failures in Ambush

BY NANCY A. YOUSSEF
AND GORDON LUBOLD

WASHINGTON—The U.S. military has concluded that "no single failure or deficiency" was to blame for the October ambush that killed four U.S. service members in Niger, according to an eight-page summary of the investigators' findings released Thursday.

But the report concluded that a combination of poor training, complacency and a culture of excessive risk led to the ill-fated mission, as was re-

ported earlier by The Wall Street Journal.

The full report on the incident, which is more than 6,000 pages long, wasn't released on Thursday. A redacted copy of that investigation isn't due to be released for months, Pentagon officials said, although the investigators involved in the report finished their work four months ago.

The report didn't assign blame or recommend disciplinary action. "I take ownership of all the events connected to the ambush of 4 October," Marine

Gen. Tom Waldhauser, head of U.S. Africa Command, said at a Pentagon briefing Thursday.

Officials at the briefing described how the U.S. and Nigerian troops came to find themselves outnumbered by Islamic State fighters on what was believed to be a low-risk mission.

In the hours leading up to the attack, the U.S. unit went to meet local leaders, then was asked to get information about a key member of the Islamic State group. But two lower-level commanders who assigned the unit to the new, more dan-

gerous mission, "inaccurately characterized the nature of the [second] mission" to their leadership, the report found.

"It was a lack of attention to detail," Army Maj. Gen. Roger L. Cloutier Jr., the chief of staff for U.S. Africa Command, who also lead the investigation, told reporters.

Gen. Cloutier said he couldn't say whether additional support—which might have been provided had the mission been properly described—would have changed the outcome.

Emanuel Contends With Upstarts in Chicago

BY SHAYNDI RAICE

CHICAGO—Chicago Mayor Rahm Emanuel is facing a crowded field of challengers for February's election as the two-term mayor continues to tout the city's business success and braces for a racially charged police-shooting trial this summer.

While the growing pool of candidates indicates the former chief of staff to then-President Barack Obama may be vulnerable, Mr. Emanuel still outstrips them all in name recognition and fundraising.

On Thursday, former federal prosecutor Lori Lightfoot announced her candidacy for mayor, bringing the total number of challengers to nine.

Others challengers include former superintendent of the Chicago Police Department Garry McCarthy and former chief executive of Chicago Public Schools Paul Vallas. Cook County Commissioner Bridget Gainer, among others, is expected to join the race. The election is nonpartisan, so the candidates don't run on party platforms.

Dick Simpson, a political-science professor at the Uni-

versity of Illinois at Chicago, said the mayor could face a historic number of challengers. That isn't a good sign for Mr. Emanuel, he said.

"This is an expression of the fact that they think Rahm is weak and they could win in a crowded field," he said.

But the large crop of candidates could also be a boon for Mr. Emanuel, as his challengers struggle to stand out. The candidates could split key sectors of Chicago's electorate, leaving many without

a strong base of support.

"The race will be like 10 cars

trying to get into one lane, and it won't be pretty," said Pete Giangreco, a spokesman for Mr. Emanuel's campaign.

Troy LaRiviere, a former

Chicago public-school principal, said he thinks the large

number of candidates means

there is a higher chance that

one of them will be able to de-

feat the mayor. The election is

set for February 2019, but the

large crop of candidates could

put the mayor on the defen-

sive for the next eight months.

Mr. Vallas has called Mr.

Emanuel a bully. Ms. Lightfoot

said Mr. Emanuel has an "us-vs.-

them" style of governing." Mr.

McCarthy, a more conservative

Democrat, said the fact that so

many candidates are coming out

to oppose Mr. Emanuel shows

that "everybody perceives him

to be incredibly vulnerable be-

cause of his track record."

Mr. Emanuel fired Mr.

McCarthy in the wake of video

footage showing a white police

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teenager, Laquan McDonald, in

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Mr. Emanuel was heavily

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rican-American community, for

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Mr. McDonald. At the time, Mr.

Emanuel denied seeing the

video footage. He later prom-

ised to reform the police de-

partment and address the

"code of silence" on wrongdo-

ing. The city also changed its

policy to release similar videos

in 60 days.



Chicago Mayor Rahm Emanuel, a former aide to President Barack Obama, faces a growing field of contenders to lead the city.

Production Manager

influence.

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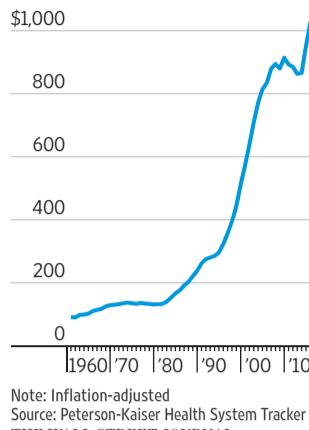
"code of silence" on wrongdo-

U.S. NEWS

Trump Plans to Take Aim at Drug Prices

Bitter Pill

Prescription drug spending per capita



President Donald Trump plans to outline initiatives Friday aimed at curbing drug prices amid complaints that Washington has done little to address the issue.

The speech, which has been twice delayed, is spurring skepticism from industry experts and Democrats who say it won't make a serious dent in costs. They say the proposals fall short of Mr. Trump's pledge to go after pharmaceutical companies he said last year were "getting away with murder."

Some industry officials said they were relieved to have been spared moves on a scale that would have wrecked their industries and, in turn, hampered drug innovation or access.

Mr. Trump's speech will be accompanied by proposed rules and a broad request for input from manufacturers, health providers, patients and others, according to people familiar with the plan.

The plan is expected to include changing the payment system for certain drugs under Medicare, the health program for seniors, people familiar with it said. Because of Medicare's size, covering roughly 15% of the population, the program strongly influences pricing and other practices in employer and private coverage.

The administration wants to move some drugs out of Medicare's Part B program, in which pharmaceuticals are

purchased and administered by medical providers, the people said. Instead, those medications would be covered under Part D, where private companies compete to offer insurance plans and negotiate more aggressively on pricing.

Health and Human Services Secretary Alex Azar said Wednesday that bringing down the cost of prescription drugs is a priority for his department.

"HHS's blueprint for addressing these issues will build on the proposals put forth in President Trump's 2019 budget, but he wants to go much, much further," Mr. Azar said. Those budget proposals included cutting spending on drugs under Medicare and

passing rebates and discounts on to Medicare enrollees.

The timing is critical to Republicans eager to tout accomplishments in reducing healthcare costs as they stump for the November midterm elections. Democrats are also eager to tout their plans, while criticizing Mr. Trump for appointing health officials with ties to drug makers—including Mr. Azar, formerly president of the U.S. division of Eli Lilly & Co.

The administration hopes added competition will prompt insurers to restrain or lower drug costs. Drug makers have signaled they would fight the move.

The proposals are expected to fall short of earlier ideas

backed by Mr. Trump, including letting Medicare use its buying power to negotiate drug prices directly with suppliers.

Peter Maybarduk, director of access to medicines at the watchdog group Public Citizen, said Medicare could save the most by negotiating prices with drugmakers. "The secretary of HHS should have the power to negotiate directly," Mr. Maybarduk said.

Industry officials acknowledged that some of the planned ideas would hurt but added that they believe administration officials used their experience in pharmaceuticals and pharmacy-benefit management to craft proposals that wouldn't devastate either industry.

Supporters Line Up to See the President at Indiana Rally



WAITING: The line to enter the campaign-style event, with a 7,500-person capacity, stretched around the block Thursday in Elkhart.

Justice Officials Meet With Nunes

BY SADIE GURMAN
AND BYRON TAU

A pair of top Republican lawmakers met with senior officials at the Justice Department on Thursday in an attempt to resolve a standoff over GOP requests for classified information related to the special counsel's investigation into Russian election meddling.

House Intelligence Committee Chairman Devin Nunes (R., Calif.) and fellow panel member Trey Gowdy (R., S.C.) spent about an hour with officials regarding Mr. Nunes's subpoena for information the

Justice Department has said would risk lives, damage relationships with partners around the world and compromise continuing probes.

Justice Department officials invited the lawmakers to see if there were other ways to accommodate the latest request.

Rep. Adam Schiff of California, the committee's top Democrat, received a briefing later.

Messrs. Nunes and Gowdy appeared somewhat mollified after the discussions, issuing a statement calling them "productive." They said, "The officials committed to holding further discussions of these

matters, and we look forward to continuing our dialogue next week to satisfy the committee's request."

The episode was the latest in an unusual tug of war between a vocal group of GOP lawmakers and leaders of the Justice Department, whom the lawmakers have accused of stonewalling requests for sensitive documents related to the department's politically charged probes. These include investigations of any ties between Trump campaign associates and Russian interference in the 2016 election, and of Hillary Clinton's use of a pri-

vate email server when she was secretary of state.

GOP House members have threatened to hold Attorney General Jeff Sessions and his deputy, Rod Rosenstein, in contempt of Congress or to try to force them from their jobs, if they fail to comply with the requests. President Donald Trump has signaled his support for the lawmakers, warning that he might intervene.

Democrats say the GOP demands are an attempt to undermine the Russia investigation and create a pretext for Mr. Trump to fire special counsel Robert Mueller.

Ms. Nielsen hasn't made her intentions known publicly but has told several members of Congress that she plans to issue an additional 15,000 visas. That is the same number of additional visas that DHS approved last year, when the Republican-controlled Congress punted the matter to the agency.

Rep. Andy Harris (R., Md.), who is concerned about the need for visas among Maryland crab processors, said Ms. Nielsen told him to expect about 15,000 additional visas.

Last year, about 12,300 additional visas were awarded. Supporters of the program say the full 15,000 weren't claimed because the visas weren't available until late July, when the summer season was well underway, and because of strict rules that businesses needed to meet.

Those same rules are ex-

pected to govern the additional visas this year, people familiar with the planning said. To qualify, applicants must attest that their businesses would be likely to suffer "irreparable harm" without the foreign workers.

The program is popular with businesses, including some of President Donald Trump's properties. Businesses say they can't find sufficient workers, particularly when unemployment is at 3.9%, the lowest since 2000. But critics of the program, including some in the administration, say foreign workers drive down wages and take work from Americans.

STOCK

Continued from Page One

company by market value, said last week that it would embark on a \$100 billion buyback program. The stock surged 4.4% the following day and 13% for the full week—marking its biggest one-week percentage gain since October 2011.

Microsoft Corp.'s stock has risen 14% so far this year, after the company bought back \$3.8 billion in shares in the first quarter. Boeing Co., JPMorgan Chase & Co. and UnitedHealth Group Inc. are up this year after big first-quarter buybacks.

Share repurchases can play a key role in supporting stock prices because they lower the number of shares outstanding—driving up per-share earnings even without overall profit growth.

Many companies see them as a reward for shareholders, particularly when other corporate options for spending cash, such as acquisitions, don't look attractive. Executives say buybacks show management is bullish on the company's prospects and believe its shares are a good value.

Rising buybacks this year have been a crucial counterbalance to the rising tide of stock-fund redemptions. Investors yanked \$29.4 billion out of exchange-traded funds and mutual funds tracking U.S. stocks in the first quarter, the most for any three-month stretch since 2016, according to a Bank of America Merrill

Spending Spree

Apple bought back more stock in the first quarter than any other S&P 500 company, and last week said it would embark on a \$100 billion buyback program.

Companies that spent the most money on buybacks

	\$22.8 billion
Apple	10.7
Amgen	4.9
Bank of America	4.7
JPMorgan Chase	4.0
Oracle	3.8
Microsoft	3.5
Phillips 66	3.3
Wells Fargo	3.0
Boeing	2.9
Citigroup	

Sources: S&P Dow Jones Indices (top spenders); FactSet (stock); the company (announcement)

THE WALL STREET JOURNAL.

Lynch report citing EPFR Global data.

The S&P 500 is up only modestly for the year. Yet many analysts believe major indexes would have suffered losses without buybacks.

Corporations have long been among the biggest buyers of stocks—making their share repurchases a major contributor to the nine-year bull market. Companies seized the chance to scoop up discounted shares following the financial crisis, with buybacks topping out in 2015 at \$572 billion before leveling off.

Now with new tax incentives, share repurchases are ramping up again. The tax code overhaul President Donald Trump signed into law late last year assessed a one-time tax on foreign earnings, meant

to encourage companies to repatriate more than \$2 trillion in cash held overseas.

While that cash can be used for any number of activities, early signs suggest much of it is going into shareholder returns. Goldman Sachs Group Inc. expects S&P 500 companies' spending on buybacks and dividends to rise by 22% to \$1.2 trillion in 2018, outpacing the expected increase in capital expenditures and research and development in 2018.

"Activity is very widespread and we're seeing it executed in a lot of ways," said Jake Mendelsohn, a managing director at Bank of America Merrill Lynch who leads the desk that does corporate buybacks.

Share repurchasing has its critics. Mr. Munger said that

buying shares just to keep the stock up is "insane and immoral." Some detractors say spending on buybacks can come at the expense of spending on R&D or equipment upgrades—things they believe are the ultimate drivers of growth over the long run.

"For so long, productivity growth has been anemic or worse, and the plan has just been to pay your shareholders," said James Camp, managing director of fixed income at Eagle Asset Management.

But as the trend continues, market giants aren't the only ones that have benefited from buybacks. **Kennedy-Wilson Holdings** Inc., a real-estate investment company based in Beverly Hills, Calif., announced in mid-March that it would repurchase shares totaling \$250 million, about a 10th of its market value, over the next 18 months. Within five weeks, it had already blown through half of that total.

The buyback program, the company's biggest ever in its decade-plus stretch as a public company, appears to be working. Though the stock had been volatile along with the broader market earlier in the year, it started rising pretty much as soon as the program began. So far this year, shares are up 14%.

"The stock has been performing pretty well the last couple months relative to the rest of the market," said Matt Windisch, who oversees the company's buyback program. "Certainly the buyback played a role in that."

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LAS VEGAS: Grand Canal Shoppes at The Venetian

MIAMI: Aventura Mall

NEW YORK: Roosevelt Field • ORLANDO: Disney Springs

PHILADELPHIA: The Plaza at King of Prussia

PLEASANTON: Stoneridge Mall • PORTLAND: Washington Square

ROSEVILLE: Galleria • SAN DIEGO: Fashion Valley

SAN FRANCISCO: PIER 39 • SAN JOSE: Valley Fair

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U.S. NEWS

Russian Ad Strategy on Facebook Detailed

Newly released documents show how Russian propagandists on Facebook grew increasingly sophisticated and inflammatory in their tactics over two years as they worked

*By Deepa Seetharaman,
Georgia Wells
and Byron Tau*

to sow discord in the U.S. before and after the 2016 presidential election.

Democrats on the House Intelligence Committee on Thursday made public for the first time the full cache of more than 3,000 ads that Facebook Inc. said were purchased by a pro-Kremlin group, the Internet Research Agency. The ads, fewer than 50 of which had previously been revealed, offer the clearest window yet into the evolving tactics used by the group as it sought to amplify social and political tensions in the U.S.

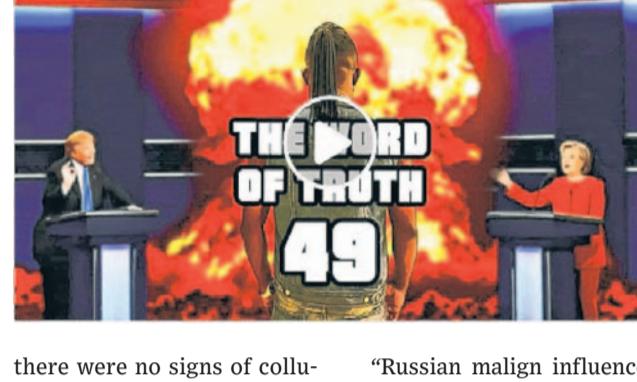
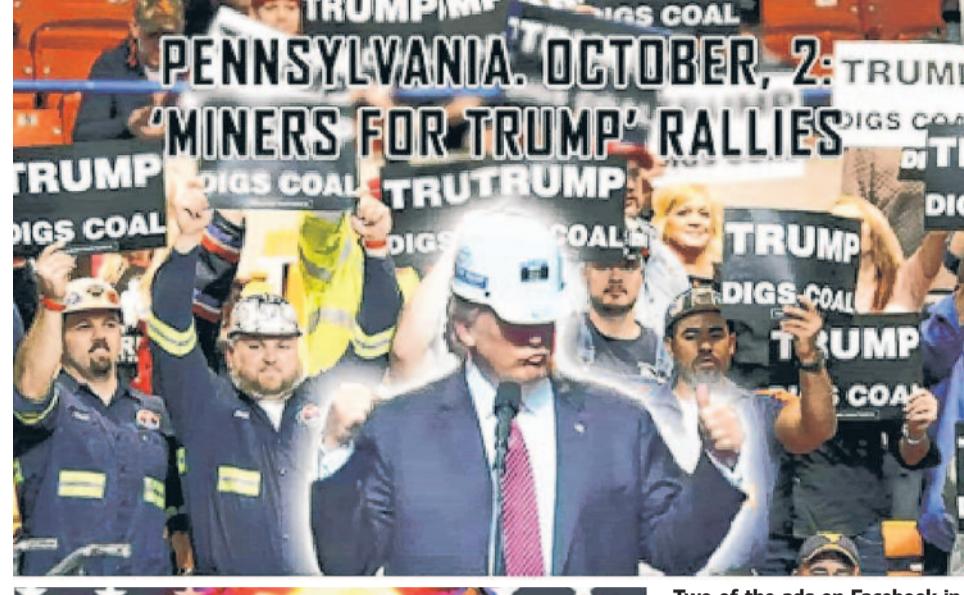
The Russian-backed pages initially deployed relatively simple techniques, buying ads targeted to reach large segments, such as all Facebook users living in the U.S. Many of those ads gained little traction with users. By 2017, the tactics were sharper, the cache shows. They bought ads focused on a specified radius around specific cities and targeted people with certain job titles, such as "coal miner," or

certain employers—including Facebook itself.

The ads show how aggressive and broad-based the Russian-backed Facebook pages were in pushing hot-button social and racial issues, including illegal immigration and police brutality. Some pages used Facebook to publicize real-world rallies in cities across the U.S. Others used Facebook to sell apparel or gain personal information about users by urging them to fill out surveys or share their profile photos.

Only a subset of the ads explicitly mentioned the election, and those that did largely attacked Democratic candidate Hillary Clinton or raised doubts about the federal government. On Election Day, for example, an ad posted by a Russian-backed page named "Williams&Kalvin" urged black voters to boycott the election. "This time we choose between two racists. No one represents Black people. Don't go to vote," the ad said, which was seen nearly 8,500 times. Other ads after the election sought to stir up anti-Trump sentiment among African-Americans.

The release of the ads comes weeks after Republicans on the Intelligence Committee ended their yearlong probe into Russia's activity during the 2016 election. Their report concluded that



Two of the ads on Facebook in fall 2016 from the pro-Kremlin Internet Research Agency. Coal miners were targeted, above, and African-Americans, left.

there were no signs of collusion between the Trump campaign and the Russians, angering Democrats who said the investigation was far from over.

"Russian malign influence activities on Facebook were significant but they were not well-funded or large-scale operations relative to the overall scope of election-related ac-

tions on these platforms," the GOP-authored report concluded.

"Russia sought to divide us by our race, by our country of origin, by our religion, and by our political party," Rep. Adam Schiff, the top Democrat on the House Intelligence Committee, said in a statement about the newly released documents. "They sought to harness Americans' very real frustrations and anger over sensitive political

matters in order to influence American thinking, voting and behavior."

Republicans on the committee didn't respond to requests to comment on Democrats' plans to release the ads, which The Wall Street Journal reported Sunday.

Facebook first disclosed the Russian activity in September, saying it found 470 accounts linked to the Internet Research Agency that bought the ads on Facebook as well as its photo-sharing app Instagram between mid-2015 and mid-2017. The disclosure triggered public outrage that culminated in testimony by representatives from Facebook, Twitter Inc. and Alphabet Inc.'s Google in front of Congress on Oct. 31 and Nov. 1 for hearings on Russian manipulation of social media.

Facebook didn't make the ads public at the time, instead handing them over to Congress, which disclosed only several dozen, citing privacy concerns. The documents released Thursday had many individual and photos names redacted.

Facebook says it has adopted measures to prevent similar foreign manipulation on its platform from recurring. The company said a review of criteria advertisers can use led it to remove "nearly one-third of the targeting segments used by the IRA."

Trump Attorney's Firm Is Enmeshed in Federal Probes

From its origins as a conduit to pay hush money, Essential Consultants LLC has evolved into a nexus in federal investigations buffeting President Donald Trump's administration.

*By Joe Palazzolo,
Michael Rothfeld
and Nicole Hong*

Michael Cohen, the president's personal attorney, set up the Delaware limited liability company to pay former adult-movie actress Stephanie Clifford, professionally known as Stormy Daniels. Now the company has become a central piece of an investigation, led by the U.S. attorney's office in Manhattan, into whether Mr. Cohen committed federal bank fraud, money laundering or other crimes, according to people familiar with the matter.

The LLC has also emerged in special counsel Robert Mueller's probe into Russian interference in the election. Last year, the special counsel requested information from pharmaceutical company Novartis AG and telecommunications giant AT&T Inc. in connection with payments they made to Essential Consultants in return for Mr. Cohen's advice.



Michael Cohen created Essential Consultants LLC in 2016.

CEO Calls Lawyer Payment a 'Mistake'

Novartis AG Chief Executive Vasant Narasimhan wrote Thursday in an email to employees that the company "made a mistake" agreeing to pay Trump lawyer Michael Cohen \$1.2 million for what Novartis has described as his insight into health-care policy.

In the email, Dr. Narasimhan wrote he felt "frustrated" by the arrangement, which was struck under the Swiss drug company's previous chief executive. "Many of you will feel disappointed and frustrated," he wrote.

"We made a mistake in entering into this engagement and, as a consequence, are being criticized by a world that expects more from us," Dr. Narasimhan wrote in the email, which was earlier reported by STAT, a health-care publication of Boston Globe Media.

Dr. Narasimhan, who joined the company in 2005 and became chief executive in February, wrote he "was not involved in any aspect of this situation."

Novartis disclosed earlier this week that it paid Mr. Cohen's company Essential Consultants LLC \$100,000 a month under the one-year contract, which ended in February.

—Jonathan D. Rockoff

Essential Consultants received \$500,000 last year from an investment-management firm called Columbus Nova, whose biggest investor is a company founded by Russian oligarch Viktor F. Vekselberg.

Mr. Cohen and his attorney, Stephen Ryan, didn't respond to a request for comment.

That the LLC was used for so many purposes beyond paying Ms. Clifford became evident Tuesday after her attorney re-

leased a document that detailed bank transactions involving Essential Consultants, most of which The Wall Street Journal confirmed.

Essential Consultants could become especially important in determining whether money laundering occurred. Legal experts said the money-laundering theory may hinge on whether any international payments flowing into the company were used by Mr. Cohen to

promote illegal activities, such as bank fraud.

The Journal first reported the existence of Essential Consultants in January, revealing that Mr. Cohen had used the company to pay Ms. Clifford days before the 2016 presidential election as part of a nondisclosure agreement that barred her from discussing an alleged sexual encounter with Mr. Trump. Mr. Trump has denied any encounter took place.

The payment to Ms. Clifford was among the first transactions involving the company, but at least \$2 million has passed through Essential Consultants since Mr. Cohen opened its business account at First Republic Bank in October 2016, according to information confirmed by the Journal.

After Mr. Trump won the election, Mr. Cohen left the Trump Organization and became the president's personal

attorney. At that point, he began generating consulting work through Essential Consultants.

AT&T engaged him early in 2017, the company said this week.

"Right around [when the] inauguration is happening, we need somebody who knows the administration," said a person familiar with AT&T's business. "How does he think? What are their priorities?"

AT&T's payments to Mr. Cohen totaled \$600,000, a person familiar with the matter said.

The company's contact with Mr. Cohen ended in December 2017, AT&T said in a statement. Essential Consultants, AT&T said, was one of several firms the company used to better understand the new administration. "They did no legal or lobbying work for us," it said.

From the month of the inauguration and running through August 2017, Columbus Nova, run by Andrew Intrater, a cousin of Mr. Vekselberg, began its payments to Essential.

Neither Mr. Vekselberg nor his holding company, Renova, "has ever had any contractual relationship with Mr. Cohen or Essential Consultants," Andrey Shtorkh, Mr. Vekselberg's spokesman, told the Journal.

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WORLD NEWS

Israeli Strikes Aim to Thwart Iran in Syria

Military wants to avoid a repeat of Tehran's influence in neighboring Lebanon

Israel's blistering counterattack to Iranian rocket fire at its soldiers early Thursday shows the country is determined to dislodge Tehran's forces in Syria from its border, despite the risk of a wider Middle East war.

By Asa Fitch in Dubai and Dov Lieber and Felicia Schwartz in Tel Aviv

In what the Israeli military called its largest-ever operation inside Syria, warplanes made dozens of strikes against key Iranian infrastructure, an overwhelming response after an Iranian unit in Syria fired about 20 short-range artillery rockets that Israel said were either shot down or fell short of a nearby military base.

The U.S. and Israel are increasingly concerned about Iran's exploitation of the instability of Syria's seven-year war to spread its influence, with officials saying they see its activities there as part of Iran's efforts to project power in the wider region.

Israel's military wants to prevent Tehran from building up military capabilities in Syria comparable to those in neighboring Lebanon, where it has nurtured the Shiite militia Hezbollah and helped it confront Israel militarily, said Amos Yadlin, a former head of Israeli military intelligence.

"They will not let them duplicate Hezbollah," he said. "They will not let them have an advanced military capability in Syria."

Some analysts and officials see President Donald Trump's decision to withdraw from the multilateral nuclear accord on Tuesday as a potential trigger for more violence, as Iran



An image from a government-linked media entity purportedly shows Syrian air-defense systems intercepting Israeli missiles over Damascus.

seeks to punish the U.S. and its regional allies through the proxies it controls.

The small scale of the attacks against Israel suggests Tehran isn't at this point inclined to provoke a bigger war.

Iran, for example, didn't use its most advanced missiles, said Michael Horowitz, an analyst at Le Beck International, a security and risk management firm.

By contrast, he said, Israel's escalation was designed to convey to Tehran, and its ally Russia, "about the need to rein in Iran or face the threat of a broader conflict."

Iran's forces there support President Bashar al-Assad, who with the help of Iran and Russia is trying to fend off a challenge from U.S.-backed rebels and Islamic State militants. Iranian-backed Shiite militias, like the U.S., are also opposed to Islamic State.

Without referring specifi-

cally to the Israeli attacks, Brig. Gen. Hossein Salami, deputy commander of Iran's Islamic Revolutionary Guard Corps, boasted on Thursday that Iran had become deeply influential in Syria.

"We will expand our deter-

tional Iranian American Council, but officials will first have to assess the damage and formulate a strategy. Iran would likely also consult with Russia before making any moves, he said, so as to avoid losing a crucial leg of support.

"My concern is I don't see what the off-ramps are," he said. "I liken it to a car driving down the freeway and there's a cliff at the end that goes into the ocean, and there's no exit. If we don't build off-ramps quickly, we're going to fall off a cliff."

Syrian state media reported its forces shot down dozens of Israeli missiles. The Israeli military said it faced Syrian aerial defense fire and in response targeted several aerial interception systems that belong to the Syrian military.

The Syrian regime has sought to project strength, even as its military forces

have been drained and it has relied on Iran and Russia. Pro-regime media Al-Masdar News reported that while the Syrian military did "the bulk of the work, the Iranian forces...are believed to be participating in these retaliatory strikes against Israel."

Some allies have urged against any escalation of hostilities. On Thursday, French President Emmanuel Macron discussed the airstrikes with German Chancellor Angela Merkel, an aide to Mr. Macron said, adding that both leaders expressed worry and called for a de-escalation in tensions.

Russian news agencies quoted Deputy Foreign Minister Mikhail Bogdanov as saying there should be efforts to de-escalate. "We have developed contacts with all sides and we are indeed calling for restraint," agencies quoted Mr. Bogdanov as saying.

Five Airfields Host Operations Targeted For Retaliation

Intelligence officials have estimated that Iran works from five airfields in Syria. At each, Iranian military transport aircraft bring weapons for Hezbollah or missiles and drones specifically for Iranian forces, these officials said. The intelligence officials also said there is a command center for the Quds Force—an elite branch of Iran's Islamic Revolutionary Guard Corps—at the Aleppo Airport.

Israel's Defense Minister Avigdor Lieberman said the Israeli strikes hit nearly all Iranian infrastructure in Syria. "[The Iranians] have to remember," he told a policy conference, "if for us it's raining, it will be a flood for them."

Israeli warplanes on Thursday hit Iranian logistics compounds, munition storage warehouses, intelligence sites and observation posts, according to the Israeli military. Many of the sites belonged to the Quds Force.

Iranian officials have yet to respond, but the Islamic Republic has used small-scale attacks before to needle Israel, which alongside the U.S. is considered a bitter enemy. In February, Israel said an armed Iranian drone strayed across its northern border before Israeli forces shot it down in an incident that ended with the downing of an Israeli jet.

"Iran's presence and activities in Syria have nothing to do with protecting the sovereignty and territorial integrity of Syria," Brett McGurk, the U.S. envoy to the fight against Islamic State, told a conference in Israel on Thursday. "Iran's presence risks a wider conflict that would mire Syria in ongoing turmoil for months and years to come."

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WORLD NEWS

Baghdad Announces Capture of Militants

BY ISABEL COLES
AND ALI NABHAN

ERBIL, Iraq—Iraq's intelligence agency said it captured five high-level Islamic State members this year in a raid coordinated with the U.S.-led coalition.

Syrian national Saddam al-Jamal, the most prominent of the five men detained after being lured into Iraq from Syria, said in a video released by the agency Wednesday that the extremist group had lost most of its resources and was in "a bad state."

The operation was conducted under the supervision of Prime Minister Haider al-Abadi, the intelligence agency said, announcing it days before he seeks a second term in Saturday's election. The Iraqi authorities suggested the operation took place last month at the latest.

"Five Most Wanted leaders of ISIS just captured!" U.S. President Donald Trump tweeted Thursday.

After more than three years of war, Iraqi forces last year drove Islamic State out of the last territory it held in the country, leaving its remnants largely confined to a pocket of land on the Syrian side of the border, where Islamic State's top leader Abu Bakr al-Baghdadi is thought to be hiding.

"There are many divisions and internal struggles within the organization," Mr. Jamal says in the video, wearing a yellow jumpsuit and identifying himself as a former governor of one of Islamic State's provinces. "Many of the fighters have lost the will to fight."

One of the captured men—two of whom were Syrian and three Iraqi—said he last met with Mr. Baghadidi in 2017 in the Syrian city of Deir Ezzour, which Syria has recaptured.



Iran-linked militias that once fought Islamic State have formed parties running in Saturday's election, including the Fateh alliance seen at a Baghdad rally this week.

Tehran-Tied Parties Aim to Steer Iraq Vote

BY ISABEL COLES
AND ALI NABHAN

BAGHDAD—Iraq's Shiite militias used artillery and ammunition provided by Iran to fight Islamic State. Now, some of those Tehran-backed militias have effectively morphed into political parties poised to expand their role through Iraqi elections on Saturday.

The main alliance running against Prime Minister Haider al-Abadi's bloc is dominated by political factions with ties to Iran, such as a party called Victorious that is linked to the Master of the Martyrs Brigades militia.

"We will change the political equation as we changed the military calculus," said Abu Ala al-Walai, the head of the militia, on the group's website.

The electoral gambit reflects a broader struggle unfolding across the Middle East.

Iran and its local partners have translated battlefield victories into political traction during the war in neighboring Syria and through this month's election in Lebanon, stirring concern among U.S. allies such as Saudi Arabia and Israel that seek to contain Iran.

In Iraq, a bigger role in politics for Iran's close allies could make the uneasy detente between the U.S. and Iran even more difficult to manage.

The two nations backed forces in Iraq that cooperated in the fight against Islamic State, but their political objectives appear increasingly at odds. President Donald Trump's decision on Tuesday to pull the U.S. out of the 2015 nuclear deal with Iran is expected to exacerbate tensions.

"I fear Iran will use this withdrawal as a pretext to be more involved in Iraq and support one side over another during coming elections," Ah-

med al-Masari, a senior Sunni lawmaker, said following Mr. Trump's announcement. "It's not in the interest of Iraqis."

Many Shiite militia leaders who now seek a larger role through their political proxies see Iraq as part of a wider Islamic resistance led by Iran's

Many Shiite militia leaders see Iraq as part of a wider Islamic resistance.

Supreme Leader Ayatollah Ali Khamenei. They have also fielded militias to prop up President Bashar al-Assad's regime in Syria.

Mr. Khamenei's top foreign-policy adviser said this week the election in Iraq would "redouble the status of the resis-

tance front in the world," and added "a message will be sent to other states such as America and all of the neighboring countries...that from now on there will be no place for them in the region."

At a campaign rally in Baghdad on Monday, supporters waved the flags of assorted Iran-backed militias.

Hadi al-Ameri, head of the Fateh alliance that is vying with Mr. Abadi, delivered a speech in front of a turquoise tiled dome commemorating Iraqi soldiers killed in the war with Iran three decades ago.

Mr. Ameri fought on the Iranian side in that conflict, illustrating the depth of his ties to the Islamic Republic.

In the run-up to Saturday's election, Fateh candidates are competing to take credit for Islamic State's defeat from Mr. Abadi, who is commander in chief of Iraq's armed forces and seeking re-election as

head of his own electoral alliance called Victory.

The Fateh alliance is expected to win fewer seats than Mr. Abadi's, but enough to shape Iraq's next government and apply pressure through Parliament.

That could undermine any future prime minister's efforts to steer a middle way between the U.S. and Iran, as Mr. Abadi has.

Iran doesn't publicly oppose a second term for Mr. Abadi. But, politicians and analysts say, Tehran wants an Iraqi prime minister with a mandate weak enough that he still needs Iran's support.

"In their view, it probably makes more sense to have a weak Abadi remain in power than to put in an ally who is likely to attract ire," said Mohammad Ali Shabani, who studies Iraqi-Iranian relations at the School of Oriental and African Studies in London.

IRAN

Continued from Page One the world's reserve currency to pressure Iran, European countries and other nations into reaching a new nuclear agreement. The administration wants a deal that not only permanently restricts Iran's nuclear program but also stymies its ballistic-missile efforts and curbs Tehran's support for militants fighting across the region.

To press its case, the administration is planning to send interagency teams of U.S. officials to Asia, Europe and the Middle East to urge nations to agree to reimpose sanctions and step up pressure on Iran.

U.S. officials insist that the objective isn't to collapse the Iranian economy but rather to drive Iran to the negotiating table to discuss a broad new pact.

"You are going to be seeing teams going out very soon," said a senior State Department official.

In the Treasury actions taken Thursday, the U.S. blacklisted an Iranian company, Jahan Aras Kish, that it said is a front company for the sanctioned Islamic Revolutionary Guard Corps' elite military unit, the Quds Force.

"Countries around the world must be vigilant against Iran's efforts to exploit their financial institutions to exchange currency and fund nefarious actions of the IRGC-QF and the world's largest state sponsor of terror," Treasury Secretary Steven Mnuchin said.

Israel's government blamed the Quds Force for rocket attacks from Syria on Wednesday night, an action that triggered strikes by Israel's military against Iranian targets in Syria, escalating the risk of a wider regional war.

The Treasury said the Iranian company received oil revenues from Central Bank of Iran accounts and gave that money to couriers who exchanged it for millions of U.S. dollar notes in the U.A.E. through two Iranian firms, Khedmati & Co. and Rashed Exchange.

That cash was then taken back to the Quds Force and distributed to Iran's regional proxies, the U.S. said. To hide the activities from U.A.E. authorities, the Treasury Department

said the network used forged documents.

Three companies and six Iranians who either worked for the firms or the Quds Force have been blacklisted by the Treasury Department and U.A.E.'s government in the joint action.

The Iranian mission to the U.S. didn't return repeated requests for comment. The companies involved didn't respond to requests for comment or couldn't be reached.

U.S. officials have said Iran needs dollars to fund regional proxies, including Lebanon's Hezbollah, the Houthis in Yemen and Assad forces in Syria, because its currency is in crisis.

The action is a model of how the U.S. plans to implement its ban in the months ahead.

The rial has fallen to fresh lows in recent months as Washington threatened new sanctions, and Tehran has instituted capital controls, in some cases arresting Iranians waiting in line to exchange currency.

The U.S. action is in part a signal to other countries, including Western allies, as the U.S. challenges its trans-Atlantic allies to comply with its sanctions regime and agree to a new Iran deal.

"The Central Bank of Iran is

complicit with the Quds Force for use by its proxies—that should send a very powerful message," Sigal Mandelker, Treasury's undersecretary for terrorism and financial intelligence, said in an interview.

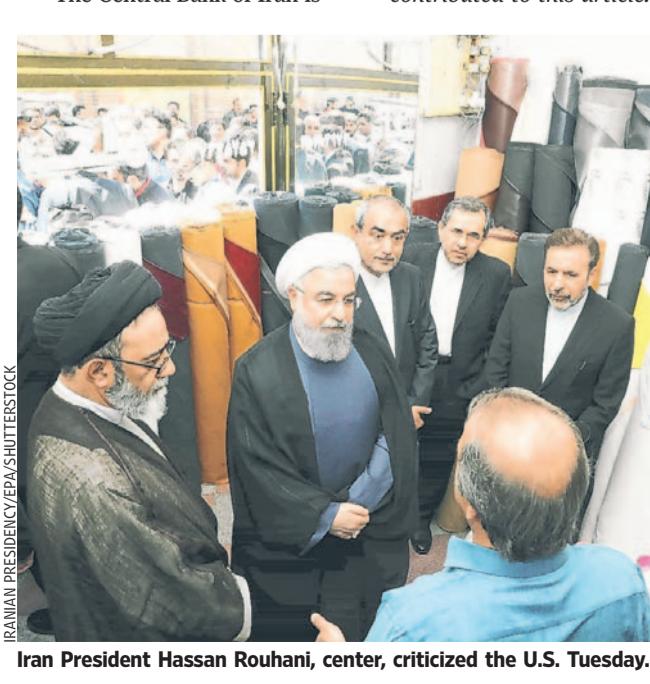
Western governments and companies are trying to figure out how aggressively Washington plans to enforce its new sanctions regime against Iran, wary of the Treasury sanctioning European bank and companies, for example, if they continue to do business with Iran beyond Treasury deadlines for compliance approaching over the next six months.

European officials have said they plan to stay in the nuclear deal with Iran, which may not only give license to their companies to maintain ties to Iran, but could set up a diplomatic rift between the U.S. and its closest allies.

Multibillion-dollar fines against European banks in the last comprehensive sanctions regime that led up to the 2015 nuclear deal still loom large in the minds of compliance officers, executives and board members.

Although Thursday's action targets only one network, it is a model of how the administration plans to implement a complete ban on dealings with the Central Bank of Iran and dollar transactions coming due over the next several months.

—Michael R. Gordon in Washington and Asa Fitch in Dubai contributed to this article.



IRANIAN PRESIDENCY/REUTERS/SHUTTERSTOCK
Iran President Hassan Rouhani, center, criticized the U.S. Tuesday.



KALEIDOSCOPIC COLOR ALEXANDRE LUNOIS



Vibrant palette. Intricate detail. Celebrated painter. This original pastel on canvas is undoubtedly one of Orientalist painter Alexandre Lunois' greatest masterpieces. Capturing a group of women fondly crafting a Turkish carpet, the work displays a remarkable understanding of composition, texture, light, and color. The

vibrancy of the pastel is unmatched, making this work far more brilliant in color than other compositions of its genre. Signed and dated 1912 (lower right). Canvas: 25 5/8" h x 31 1/8" w; Frame: 31 1/8" h x 38 1/4" w. #30-7589

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WORLD NEWS

German Antimigrants Reset Image

BY BOJAN PANCEVSKI

BERLIN—Frank-Christian Hansel, a Berlin lawmaker, was vigorously sweeping the floor of a subway station on Saturday as bemused passersby looked on. The real point of his action, undertaken beneath a banner reading Alternative for Germany, was to clean up his party's image.

The country's largest opposition party in parliament, known by its German acronym AfD, is grounded in a protest movement against migration. Its popularity has kept rising in polls since September's national elections, and if that trend continues, the party could do well enough in a string of regional elections next year to move from opposition into some state governments.

But in a country where parties often have to form coalitions to govern, many in the party think that goal isn't achievable unless the group sheds its image as a haven for right-wing extremists, conspiracy theorists and Holocaust deniers.

To that end, AfD leaders have launched a respectability drive, seeking new ways to engage with voters and courting conservative politicians from other parties. And they are facing a powerful pushback from within their own ranks.

The flare-ups between pragmatic moderates and anti-establishment purists are in turn raising questions about the AfD's capacity to mature beyond its protest-party role.

"We need to get rid of the crazies and build a relationship with our supporters through initiatives like this and connecting with unions and sport associations," Mr. Hansel said, clutching his extra-large broom. The moderates' goal, he said, was to make the AfD eligible for future government coalitions by building links with the electorate and marginalizing toxic party officials.

The initiative by the AfD's Berlin branch to clean streets



The Alternative for Germany (AfD) providing balloons at a May Day party last week in Berlin.

Berlin, the AfD is polling at 22%, just behind the CDU's 23%. The AfD is also faring well in Thuringia and Saxony, which will also hold elections next year.

Georg Pazderski, the AfD's leader in the city-state of Berlin, said some CDU officials have privately signaled they could consider a coalition with his party after Ms. Merkel steps down, as widely expected, in 2021.

"Our policies are those of the CDU before Merkel. If the CDU had remained conservative the AfD wouldn't exist," Mr. Pazderski said. Under her 13-year rule, Ms. Merkel's has adopted a number of centrist decisions, from allowing a parliamentary vote on same-sex marriage to her open-arms migration policy.

AfD lawmaker Leif-Erik Holm says the party must retain its protest edge while working to reduce what he called "verbal radicalization."

"We need to work hard in parliament, and we need to win the trust of voters," he said. "We see ourselves as a governing party in waiting."

The AfD shares many policy priorities with senior CDU politicians, Mr. Holm says. Possible areas of agreement include tougher migration policies, law-and-order measures, and a shared suspicion of French President Emmanuel Macron's plans for deeper European Union integration, he says.

But some AfD hard-liners reject a mainstream makeover. A senior CDU official who made entreaties about joining AfD and assuming a high-ranking position in its parliamentary group saw his plan collapse after angry grass-roots activists denounced him as a "lackey of the system" in social-media postings.

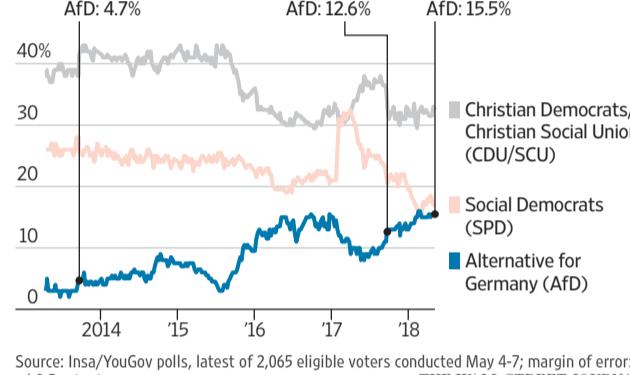
"I don't know why we should become more moderate," said Alexander Gauland, AfD co-chairman.

He was in no rush to enter a coalition, Mr. Gauland added. "Patience is a virtue for an opposition party," he said.

Rising Right

The antimigrant Alternative for Germany has become more popular since last year's elections.

Who would you vote for if Germany's general election were held tomorrow?



Source: Insa/YouGov polls, latest of 2,065 eligible voters conducted May 4-7; margin of error: +/-2.5 p.p. pts.

and subways is making some headway in a city where people frequently dump old sofas and mattresses on the streets. One elderly woman who chanced upon an AfD street-sweeping display last week immediately filled out a membership form.

"I'm so tired of the ruling parties allowing this mess," the woman said.

While Chancellor Angela Merkel's Christian Democratic Union has ruled out any type of cooperation with the AfD, some midranking functionaries in her party, especially in eastern Germany, are warming to the idea.

Ingo Senftleben, CDU leader for the state of Brandenburg, broke a taboo last month when he said he wouldn't rule

Some AfD Deputies Face Legal Scrutiny

The AfD's 252 lawmakers in German assemblies include individuals under investigation for, or convicted of, offenses including inciting hatred.

In January, a court ruled against lawmaker Wolfgang Gedeon in a libel case after a Jewish leader accused him of being a Holocaust denier.

Lawmaker André Poggensburg is under investigation for inciting hatred after he called Turks camel drivers who shouldn't be in Germany. He called it "political satire."

—Bojan Pancevski

out entering into a coalition with the AfD after next year's state election.

In an Insa poll published on Wednesday, 15.5% of voters said they would cast an AfD ballot at the next federal general election, up from 12.6% in September's vote. In parts of the economically weaker East, the party is even stronger: in Brandenburg, which surrounds

BOE Sees More Rate Increases In Future

BY PAUL HANNON

LONDON—The Bank of England still expects to raise its key interest rate over the coming years, saying Thursday that a slowdown in economic growth during the first three months of the year was likely temporary and probably not as severe as first estimated.

The BOE's stance is in line with that of other leading central banks, which have yet to significantly alter their plans to move monetary policy back toward settings that were considered normal before the financial crisis, despite some unexpected signs of weakening global growth at the start of this year.

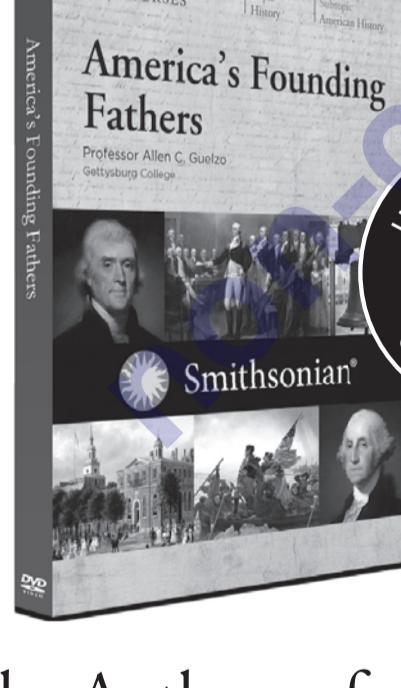
"We think momentum in the economy is going to reassert," Gov. Mark Carney said in a news conference, after the central bank left its key interest rate at 0.5%. "If we're right, then the expectation of households and businesses, which is for some modest adjustment of interest rates, will be justified."

The BOE continued to stress that any rise in the key rate will be "gradual and limited," probably amounting to one move a year in each of the next three years. Its new forecasts indicate that would be sufficient to bring inflation down to its 2% target by early 2020 from 2.5% in March.

The BOE raised its key interest rate in November, its first such move since 2007. But that only reversed a cut of the same magnitude in August 2016, which was part of the central bank's response to the U.K.'s vote to leave the European Union. That left the key rate at the same level it reached in March 2009, following a series of large cuts as policy makers responded to the global financial crisis.

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WORLD NEWS

Korea Summit Is Set as Detainees Return

Trump says Singapore to host meeting June 12 after North Korea sets Americans free

BY MICHAEL C. BENDER
AND REBECCA BALLHAUS

President Donald Trump said he would meet with North Korean leader Kim Jong Un on June 12 in Singapore, hours after he welcomed home three U.S. citizens who had been detained in North Korea for more than a year.

"We will both try to make it a very special moment for World Peace!" Mr. Trump wrote on Twitter in revealing the time and date of the summit.

Early Thursday morning, Mr. Trump thanked Mr. Kim for releasing the Americans, who landed on a flight with Secretary of State Mike Pompeo at a military facility outside Washington. "We very much appreciate that he allowed them to go before the meeting," the president said.

Mr. Pompeo has said the summit between Messrs. Trump and Kim is scheduled to last one day, but may extend to a second day.

The medical plane carrying the men touched down at 2:42 a.m. local time on a clear, chilly morning as Mr. Trump and Vice President Mike Pence waited nearby.

Mr. Trump and his wife, Melania, boarded the plane carrying the three men at 2:54 a.m. and reappeared five minutes later with the three men who held their arms up in the air in celebration.

"It's like a dream," Kim Dong-chul, who had been im-



RICARDO SAVILL/ZUMA PRESS

The three liberated men were welcomed on the tarmac at Joint Base Andrews by a group led by President Donald Trump.

prisoned since October 2015, the longest of the three, told reporters. "And we are very, very happy."

Dozens of reporters and television cameras were on hand to document the moment, which marked a high point of Mr. Trump's turbulent 16 months in office and signaled further momentum in the president's push for a diplomatic solution to ease the nuclear tensions between Washington and Pyongyang.

The release of the men was a sign of good faith from Mr.

Kim, who has sought talks with Mr. Trump as North Korea has faced increasingly tough international sanctions in response to its weapons program.

While the North has often used detainees as bargaining chips, Mr. Trump has insisted that he won't step back from the U.S.-led sanctions unless Mr. Kim abandons his nuclear program and rids his country of nuclear weapons.

A dozen high-power spotlights illuminated the runway at Joint Base Andrews where

the plane carrying Mr. Pompeo and the three former detainees landed.

The scene was a stark contrast to the return 11 months ago of Otto Warmbier, a 22-year-old college student North Korea had detained and accused of trying to overthrow the government. Mr. Warmbier, who had slipped into a coma while imprisoned for more than a year, was carried out of a medical transport airplane after landing early on June 14 in Cincinnati and taken away by an ambulance.

He died on June 19.

The three men received by the president on Thursday ap-

peared to be in good health. Still, after landing at Andrews and meeting with Mr. Trump, the men were taken to Walter Reed National Medical Center for evaluation and treatment. It wasn't clear when they would be discharged, as medical evaluations were still in progress.

"All three are talkative, in good spirits and coping well. There are no urgent medical needs," the Pentagon said.

The three detained Americans—who share the same surname but aren't related—were all held on charges of spying, stealing state secrets and hostile acts against the country.

Kim Dong-chul, a 62-year-old Virginia resident, was sentenced to 10 years of hard labor for conducting "subversive plots and espionage" against the North. He was convicted of obtaining classified documents about North Korea's nuclear and military plans.

"We were treated in many different ways," he said of his confinement in North Korea. "For me, I had to do a lot of labor. But when I got sick, I was also treated by them."

The other two men, Tony Kim, also known as Kim Sang-duk, and Kim Hak-song, were detained in the spring last year, just months after Mr. Trump took office. Both men were affiliated with the Pyongyang University of Science and Technology, a Christian-backed university in the North Korean capital.

Tony Kim was captured as he waited to board a flight out of the country in April 2017, according to the North's official Korean Central News Agency. Mr. Kim had been teaching a class at the university, which was founded by a Christian Korean-American businessman with the help of Christian donors abroad. Mr. Kim had previously taught at a sister school in China near the North Korean border.

The North's state-controlled news agency confirmed the detention of Kim Hak-song in May 2017. He also worked at the university.

—Jessica Donati contributed to this article.

WORLD WATCH

CONGO

Death Is Confirmed In Ebola Outbreak

The first death from a new outbreak of Ebola in the country's northwest has been confirmed, along with 11 other cases of people sickened by the virus.

Health Minister Oly Ilunga said seven people with the hemorrhagic fever were taken to a hospital in Bikoro as of Thursday. He said four new cases and one death were reported in the town of Ikoko Impenge. Three nurses are among those infected.

Mr. Ilunga said 17 deaths that drew the attention of health officials to the region over the weekend hadn't been confirmed as Ebola-related. He said the situation calls for an immediate and energetic response.

The World Health Organization and officials from other international health groups are in the area to help contain the spread of the virus.

—Associated Press

SWITZERLAND

Australian Ends Life By Assisted Suicide

A 104-year-old Australian biologist who drew international attention to his right-to-die case ended his life in Switzerland, an advocacy group said.

Exit International, the group that helped David Goodall carry out his wish, said the scientist was declared dead at 12:30 p.m. in Liestal, a town outside the city of Basel, where he had traveled to take advantage of Switzerland's assisted-suicide laws.

"My life has been rather poor for the last year or so. And I'm very happy to end it," Mr. Goodall said on Thursday in the room where he died shortly after.

The British-born scientist said this week that he had been contemplating the idea of suicide for about 20 years, but only started thinking about it for himself after his quality of life deteriorated over the past year.

He cited a lack of mobility, doctor's restrictions and an Australian law prohibiting him from taking his own life among his complaints, but he wasn't ill.

Assisted suicide is legal in Switzerland, where the procedure is available for those who acknowledge in writing that they are taking their lives willingly—without being forced. But the practice is frowned upon by many doctors and some others who say it should be reserved for the terminally ill.

—Associated Press

Damage to Test Site Is Worse Than Thought

BY JEREMY PAGE

BEIJING—The damage to the nuclear test site that North Korean leader Kim Jong Un has promised to shut down is more extensive than earlier assessments showed, according to a new study by a team of international scientists.

Space-based radar showed that after the initial impact of North Korea's latest nuclear test in September last year, a much larger part of the Punggye-ri test site caved in over the following hours and days, according to a study published in *Science* magazine on Thursday.

The study was conducted by researchers from Singapore, Germany, China and the U.S.

"This means that a very large domain has collapsed

around the test site, not merely a tunnel or two," said Sylvain Barbot, one of the authors who is an assistant professor at Nanyang Technological University in Singapore.

The research feeds into an international debate over the value of Mr. Kim's commitment to close the Punggye-ri facility in the run-up to last month's inter-Korean summit and his scheduled summit meeting with President Donald Trump in Singapore on June 12.

Some U.S. officials and experts see the closure as a significant concession while others argue that the site is unusable and its dismantling is therefore an empty gesture designed to gain leverage in negotiations with Seoul and Washington.



Chinese seismologists involved in a study published last month concluded that a large part of the site was unusable due to the collapse of a

cavity inside a mountain there, Mount Mantap, a few minutes after the last test.

U.S. researchers studying satellite imagery have since argued that, while tunnels may be severely damaged under Mount Mantap—where five of North Korea's six nuclear tests took place—other parts of the facility are still usable.

Mr. Kim told South Korean President Moon Jae-in at their summit that two bigger tunnels at the site were still in good condition, according to Seoul's presidential Blue House.

The last test caused an initial magnitude-6.3 earthquake, followed by a smaller tremor 8½ minutes later that was triggered by the collapse of damaged rock above the blast cavity, the Chinese study said.

The new study, which created three-dimensional images of the site, backs the Chinese researchers' conclusion that a large part of the site can't be used—while showing that the initial damage is "dwarfed" by the gradual collapse detected from space over the next few hours and days.

That damage covers an area with a radius of 800 meters and a height of 400 meters, according to Mr. Barbot, who is also an adjunct professor at the University of Southern California.

"These findings make us infer that a large part of the Punggye-ri test site is inoperable, and that further tests may require a substantial investment in the construction of another facility elsewhere," he said.

China Finds Ways to Delay Accepting U.S. Exports

Ford cars and California fruit are among the goods piling up at Chinese ports, the result of increased inspections that business groups say is China's way of reminding the U.S. during trade tensions just how important its market is to American exporters.

By Lucy Craymer and Joanne Chiu in Hong Kong and Yoko Kubota in Beijing

Navel oranges, lemons and cherries from California, along with American apples, have been sitting at Chinese wharves for longer than normal as officials spend more time inspecting the fruits for pests and decay, U.S. trade groups said.

Vehicles imported by Ford Motor Co. are likewise being subjected to unusually rigorous checks at the point of entry, people familiar with the matter said. Pork is also coming under more frequent inspections, U.S. officials say, as U.S.-China trade tensions show no signs of easing.

The Chinese "are trying to identify industries or sectors that could put pressure on the administration to change its posture," said Joel Nelsen, president of trade association California Citrus Mutual. He said inspectors are opening and sifting through most of the 900 cartons of citrus fruit typically held in each shipping container.

William Zarit, chairman of the American Chamber of

Commerce in China, said China appears to be following a tried-and-true playbook.

"China basically speaks with one voice on trade. It's not that difficult for the [Communist] party to send out an order and it will happen very quickly—and for the most part, systematically and consistently," Mr. Zarit said.

Last year, amid tensions over South Korea's deployment of a U.S.-built missile-defense system, China stopped sending tour groups to the country and sales of Hyundai Motor Co. cars in China plummeted. At one time, China also imposed curbs on imports of Philippine bananas over rival territorial claims in the South China Sea.

China's General Administration of Customs didn't immediately respond to a request for comment. Geng Shuang, a Foreign Ministry spokesman, said he wasn't aware of any effort to restrict U.S. imports.

"In principle," Mr. Geng said Thursday, "China carries out relevant inspection and quarantine work in accordance with laws and regulations following a scientific and unbiased method."

Fruit is an easy target in a trade dispute as its passage through customs can easily be delayed on health and safety grounds, an official at a southern Chinese port said.

China's customs agency said Monday it would start strengthening quarantine inspections on U.S. apples and timber after claiming to have



CLAUDE SHEN/BLOOMBERG NEWS

found pests in some recent shipments.

Before last week, U.S. cherries could pass through such quarantine inspections in a matter of hours, said Keith Hu, director of international operations at Northwest Cherry Growers in Washington state. Mr. Nelsen, of California Citrus Mutual, said oranges and lemons would typically take a

couple of days to clear the reviews. Now the process is taking, in some cases, five to seven days.

Worries grow that some of the more delicate fruits such as cherries could spoil before sale. California sent a test shipment of cherries last week to gauge the seriousness of China's new import approach. It got held up by customs, Mr.

Hu said.

U.S. growers were already feeling the fallout from the heightened trade tensions. In April, Beijing increased tariffs on fruit, including lemons and limes to 26% from 11% and 25% on cherries from 10%, along with a number of other U.S. imports. It was in retaliation for Trump administration trade penalties that have hit Chinese steel and aluminum.

Adding to the problem, seasonal temperatures in China are on the rise and most of the fruit, including cherries, should be kept cool ahead of sale. The fear is that these complications could push Chinese importers to look for fruit suppliers outside of the U.S., the trade groups say.

In Ford's case, the delay is happening at the Tianjin port, one person briefed about the matter said. Chinese customs officials want to inspect individual components inside the vehicles' emissions system, which would basically require the car to be disassembled.

That has left these cars stuck at the port in recent weeks, raising storage costs for Ford as it scrambles to figure out how they can be checked in a more practical way, the people said. A Ford spokesman declined to comment, beyond saying the company was monitoring the situation. Reuters first reported on the Ford vehicles holdup.

◆ ZTE's customers reassess ties with the company B1
◆ Ford's China push stalls B3

—Associated Press

IN DEPTH

MENU

Continued from Page One

That was besides more than two dozen greens, grains, proteins and dressings.

He didn't know where to begin. "I only have a certain amount of time to make a decision," said the 24-year-old real estate agent, eating lunch outside a MIXT in Los Angeles recently.

Mr. Green decided to forgo the "design your own salad" option. He settled on the Orchard, a featured salad where the restaurant chain had already decided what should go in. Now, he just orders the Orchard every time.

People who get nervous at the counter say they worry about being judged for stumbling through their order, or

feel pressured by having customers waiting behind them in line. They fret that their food will come out wrong, or that if they try something new they won't like it. Others simply buckle under the pressure of too many choices.

Sarah Anderson hates it when she gets to a restaurant counter thinking she knows what she wants, only to be asked "like 20 questions."

"It's nice to have a lot of options, but too much customization is overwhelming," said the 34-year-old executive assistant in Los Angeles.

Restaurant executives know this. They feel it themselves, sometimes. "When you're standing at the cashier and you haven't made a decision yet and there are people behind you, you can sense the impatience. It's an uncomfortable feeling," said Scott Glad-

stone, vice president of strategy at Applebee's.

He confesses, "I usually end up finding one thing on the menu I like and order it every time, because of the anxiety of the ordering process."

Would you like tahini, aioli sauce, turmeric almonds, pickled ginger?

So, why do restaurant chains offer so many choices?

Tom Ryan, the founder and chief executive of Smashburger, says if he didn't, he would lose customers who yearn for new experiences.

"The next generation of burger lovers is looking for a

more food-forward, cosmopolitan approach," he says. "So yeah, it is a dilemma for people who grew up with a burger and fries to be asked if they want rosemary fries."

Besides, it's also a problem if a restaurant doesn't offer enough options, as Jack Nicholson made abundantly clear in *"Five Easy Pieces."*

MIXT CEO Leslie Silverglide has heard customers of her chain complain of "decision paralysis." The problem is, other customers not only don't mind the variety, they want even more of it.

Seeing the giant menu board as an issue for some diners, she is moving MIXT toward paper menus they can peruse at leisure.

The pressure-filled places are proliferating. The number of U.S. fast-casual restaurants rose 39% in the past five years

to nearly 33,000, far outpacing the broader industry's growth, says research firm Technomic Inc.

Wendy's Co., while testing a new menu, once set up a mock restaurant at a research facility with a simulated drive-through, and had focus-group members drive golf carts through and place orders. Many were visibly nervous as they tried to make up their minds, recalls Kurt Kane, chief marketing officer. Some turned around to see how many people were behind them in line. Others motioned to fellow drivers to pass them so they could take more time to decide.

"We intuitively knew the stress was there, but we had underestimated it," he says.

Some Wendy's outlets now have self-order kiosks. Although the chain put them in mainly to speed up service, it found they

meant less tension around ordering for some diners.

"They feel like they're not holding anyone up, and that pressure goes away," Mr. Kane says.

For Ms. Wyrick, the woman who was flummoxed by Smashburger, the solution to ordering anxiety has been to stop going to assembly-line restaurants with sprawling menu boards—and with people in line behind her—and to stick with a few places whose menus she knows well.

She once avoided Starbucks, too, because she worried about bungling the Italian words—*venti, grande*. Since Ms. Wyrick discovered the coffee chain's mobile app a year ago, though, she has been going four times a week. "I don't even have to talk to anyone," she says. "It's just there waiting for me."

VOTE

Continued from Page One
under military rule for years, and enthusiasm for democracy in Myanmar has been dashed by the government's failure to stop a purge of the Rohingya Muslim minority. Globally, hard-line leaders are in power in nations including Turkey and Hungary.

As the U.S. investigated the scandal involving Mr. Najib's government, the prime minister built closer ties to China, which emerged as a significant investor. Mr. Najib planned multibillion-dollar ports and a \$13 billion railroad connecting Malaysia's South China Sea coast to the more industrialized areas in the west of the country.

The newly elected Dr. Mahathir wasted no time questioning China's role, saying at his swearing-in as prime minister late Thursday that some projects would have to be renegotiated if his government concluded they didn't provide enough of an economic boost for Malaysians.

"China comes with a lot of money and says you can borrow this money," Dr. Mahathir said in an interview before Wednesday's vote. "But you must think, 'How do I repay?'

Some countries see only the project and not the payment part of it. That's how they lose chunks of their country," Mr. Mahathir has also criticized the U.S. in the past, in particular during the Asian financial crisis in the late 1990s.

Mr. Najib was brought down chiefly by an epic corruption scandal that stretched from Malaysia to the Middle East, Switzerland and Hollywood, centered on a development fund called 1MDB from which billions were missing. Coverage of the scandal, most notably in The Wall Street Journal, was devoured by Malaysians, especially on Facebook. This prevented Mr. Najib from putting the scandal behind him, even though he blocked domestic investigations of the fund.

Whereas in past elections the opposition won support in the capital of Kuala Lumpur, this time residents all along the country's more developed southern coast also voted against the long-dominant party, United Malays National Organisation, known as UMNO. The opposition was able to make inroads, as well, in rural areas that had been strongholds of the ruling party.

One reason was the fiery



Malaysians celebrated in Petaling Jaya. The return of Dr. Mahathir spells a shift in the country's relationship with China and promises a beefed-up anticorruption probe.

opposition leader and former longtime prime minister, Dr. Mahathir, who was beloved in the countryside. Rather than try to explain 1MDB—a complicated financial scandal that involves offshore bank accounts in places such as the British Virgin Islands—he would say at rallies that Mr. Najib and his wife lived a life of luxury because of money stolen from the fund, while voters struggled with rising living costs and a new tax.

Missing money

In the scandal, U.S. authorities allege that at least \$4.5 billion was misappropriated from the development fund between 2009 and 2015. The U.S. authorities have alleged in civil lawsuits that \$681 million

had become a liability. Unable to force him out, Dr. Mahathir left the party and joined the opposition coalition, teaming up with a former political nemesis to lead the charge against the prime minister.

The coalition created easy-to-understand videos about 1MDB they showed to rural voters. In one, a politician poked fun at Mr. Najib's claim the \$681 million that flowed into his accounts was a donation from someone in Saudi Arabia, a notion challenged by the Justice Department in lawsuits filed in July 2016.

Even when campaign discussion turned to domestic policy, corruption sometimes became an issue. Mr. Najib began offering financial inducements such as tax breaks for those aged 26 and under; Dr. Mahathir called this a bribe.

In the voting, the allied opposition parties won 122 seats in the 222-seat parliament, to 79 for the National Front coalition led by Mr. Najib's UNMO. As Mr. Najib and his wife, Rosmah Mansour, watched the results come in during the wee hours of Thursday, a stream of advisers and family members hurried in and out and the mood grew increasingly somber, according to a person who was present.

The voting marked the first time Mr. Najib's party was out of power since Malaysia won independence from Britain in 1957.

At a news conference on Thursday, a downcast Mr. Najib acknowledged the election result but appeared to stall for time. He pointed out that no single party had won a majority, meaning it was up to Malaysia's King Muhammad V, Sultan of Kelantan, to decide who should form the next government.

Mr. Najib, whose father and uncle had both served as prime minister, didn't challenge the result.

What now happens to the former prime minister is uncertain. In its election manifesto, the opposition coalition

Economic Progress

Malaysia's healthy growth has made the population better off but left them frustrated with the ruling party.

Gross domestic product

Pct. change from a year earlier

10%

-2

2000 '05 '10 '15

GDP per capita, adjusted for price differences*

\$50,000

Advanced economies

40,000

30,000

20,000

10,000

Malaysia

10,000

Emerging market and developing economies

0

2000 05 10 15

Pct. of the population living below the national poverty line

10%

8

6

4

2

0

2002 05 10 15

Government debt as a percentage of GDP

10%

8

6

4

2

0

2000 05 10 15

*adjusted for purchasing-power-parity

Note: Estimates start in 2017 for government debt, in 2018 for GDP and GDP per capita

Sources: International Monetary Fund (GDP, debt, GDP per capita); World Bank (poverty)

ussions, the opposition said.

As regards China, Bridget Welsh, a professor at John Cabot University in Rome and a longtime observer of Malaysian politics, said Dr. Mahathir might look to revise projects that are sited in strategic locations or which involve significant tracts of land.

"He needs to show his nationalist credentials to some degree and this is a good vehicle to do that," she said. "The challenge is that the neighborhood has changed since he was last prime minister, and China is now the big driver."

In Beijing, China's Ministry of Foreign Affairs spokesman, Geng Shuang, said relations between the two countries have been gaining momentum. "This needs to be cherished by both sides," he said.

The turn of events will have another twist in the coming weeks. Dr. Mahathir intends to pardon a one-time deputy he jailed in 1998 on a charge of sodomy, Anwar Ibrahim.

Overturn

Mr. Ibrahim, 70, served six years before his conviction was overturned. In an election run five years ago, his coalition won the popular vote against Mr. Najib but didn't gain a majority in parliament. He then was jailed on a sodomy charge once again, with a release date that is set for June.

Dr. Mahathir has said he would step aside from the prime minister role within a few months in favor of Mr. Ibrahim, who remains politically popular.

Dr. Mahathir readily acknowledges his past reputation as tough politician who blocked his rivals ruthlessly and centralized all power.

"My reputation as a dictator and an unjust man, my jailing of Anwar—they have all come back," he said in an April interview. "Some people in the opposition ask, 'What is the difference between Najib and him? It's like Coca-Cola and Pepsi-Cola. There's not much difference, so why should we bother changing the government?'

"But if I had really been so bad they wouldn't have wanted me to be prime minister again," he said, smiling.

—Bradley Hope in London contributed to this article.

FIGHT OVER GIANT FUND FUELS ASIAN DRAMA

Malaysia's 1MDB, struggling with debt, triggers calls for prime minister's ouster

By TOM WRIGHT

KUALA LUMPUR, Malaysia—A state investment fund paid what appeared to be an inflated price for assets acquired from a Malaysian company; the company then contributed to a charity that announced projects, such as aid

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GREATER NEW YORK

Acting AG Is Ready To Remain On the Job

BY MIKE VILENSKY
AND ZOLAN KANNO-YOUNGS

New York acting Attorney General Barbara Underwood wants to keep the job for the rest of the year, her spokeswoman said Thursday, as calls grew for state legislators to appoint her and short-circuit any backroom deal-making in Albany.

Ms. Underwood was the state's solicitor general when she replaced former Attorney General Eric Schneiderman, who abruptly resigned earlier this week amid a scandal. She was empowered under state law to become acting attorney general until the Legislature appoints a new one.

Whoever the Legislature selects can be replaced by the winner of a November election for the post, who would take office in January 2019.

Support for Ms. Underwood, a Democrat like Mr. Schneiderman, gathered momentum amid concerns that an overtly political process would be unseemly following the assault allegations against Mr. Schneiderman that resulted in his being driven from office. He denies the allegations.

Former Manhattan U.S. Attorney Preet Bharara said on his WNYC radio show Thursday that Ms. Underwood should keep the job until the election, calling her "eminently qualified" and "beyond reproach."

New York Gov. Andrew Cuomo also expressed support for the move, saying Thursday: "She says she would like to stay and she believes she is competent. I agree with her."

Mr. Cuomo's former Democratic primary opponent, Zephyr Teachout, who is also mulling a November run for

'I know many people are like, "Why don't we just keep Ms. Underwood?"'

Mr. Schneiderman's former job, also voiced support for Ms. Underwood, saying on Twitter that the Legislature "should rise above the temptations of flexing power in this moment."

Ms. Underwood, a Georgetown Law School graduate and former prosecutor for the Manhattan district attorney's office, isn't expected to run for the job in the fall. But her spokeswoman said she would submit her name to the Legislature to keep the job for now.

Assemblyman Matthew Titone, a Staten Island Democrat, said Ms. Underwood would be considered when the Assembly interviews candidates next week. "I know many people are like, 'Why don't we just keep Ms. Underwood?'" he said in an interview. "That's not what the Constitution requests the Legislature do, but she certainly may end up being the candidate."

Democrats in Albany control the Legislature's selection process. Republicans control the state Senate, while Democrats run the Assembly. The Assembly Democratic caucus holds the cards in a joint legislative vote because they have by far the most members of any legislative group.

City to Curb Parking-Ticket Deals

Changes will affect programs that reduce or waive fines for commercial vehicles

BY PAUL BERGER



One current program reduces fines for firms that make deliveries.

New York City is planning changes to the reduced fines levied on parking tickets issued to about 2,600 commercial-vehicle operators, ranging from United Parcel Service Inc. to Verizon Communications Inc.

In the first major overhaul since the programs' introduction 15 years ago, the city's Department of Finance plans to raise the fines that commercial operators pay for such infractions as double parking and blocking an intersection.

Officials estimate the new fees, expected to take effect in November, would raise annual ticket revenues by \$17 million.

That would be a 3.2% increase on the \$525 million the city expects to take in this fiscal year.

Jeffrey Shear, a finance department official, said the goal is more about reducing traffic

congestion, a growing problem, than about raising revenue. He declined to reveal all of the proposed changes to the 99 parking violations, saying the department may make minor adjustments. Among the likely changes:

- A \$115 ticket for obstructing an intersection, which is currently reduced by up to \$15, would be charged at the full rate.

- A \$65 ticket for violating

street-cleaning parking rules in Manhattan, currently reduced to zero, would cost \$25.

- A company that previously would have avoided a \$115 penalty for double parking outside Midtown Manhattan would pay \$60.

Mayor Bill de Blasio's administration has been rolling out programs aimed at easing congestion, such as stepped-up enforcement of traffic rules

at busy intersections and pilot programs limiting standing in busy commercial areas.

Critics say fees shouldn't be reduced. "The program is a program that creates congestion," said Glen Bolofsky, whose company parkingticket.com contests tickets.

"We believe that relatively modest changes to these programs can boost a culture of compliance and get traffic moving," said Michael Replogle, a deputy commissioner at the New York City Department of Transportation.

The city issued 8.7 million parking tickets in the last fiscal year, according to finance department figures. Almost half of the 2.6 million tickets issued against commercial vehicles were settled under the parking programs.

Introduced in 2003, the programs sought to reduce the cost of holding parking ticket hearings, as well as save repeat offenders the time and cost of fighting tickets.

One program is set up for firms that spend a shorter time at the curb, such as delivery

series. The other is aimed at companies that stay longer, including service firms.

Christian Fama, director of client services at Empire Commercial Services, a fleet-management company in Staten Island that specializes in fighting tickets, said the programs cost taxpayers because tens of millions of dollars are lost annually in the form of reduced or waived fees.

Axel Carrion, director of public affairs for UPS, said the company would comment after it has assessed all of the changes to the programs.

Ken Thorpe, chairman of the New York Trucking and Delivery Association, said reducing and waiving some fees makes sense. As an example, he cited double parking, which is legal outside Midtown for drivers making "expeditious delivery."

Mr. Thorpe said the new rules could drive many smaller businesses into the courts, which can be expensive and time-consuming. "It will cost the city more internally for more hearings, and at the same time it hurts the little guy," he said.

Connecticut Passes Bill to Ease Tax Burden

BY JOSEPH DE AVILA

Connecticut has joined New York and New Jersey in passing legislation that aims to blunt the impact of losing some deductions under the federal tax overhaul.

The legislation proposed by Gov. Dannel Malloy, a Democrat, gives municipalities the authority to form charitable organizations to receive contributions from residents in exchange for property-tax credits. The bill, which unanimously passed in the House and Senate earlier this week, is designed to help people who face higher federal tax bills after the new law put a \$10,000 annual cap on state and local tax deductions. Charitable contributions kept their full deductibility.

Themis Klarides, Connecticut's House Republican minority leader, said the change could help residents who will owe more money to the federal government under the tax plan.

State officials estimate residents will lose \$10 billion in deductions under the federal tax changes, which tend to benefit high-income earners the most.

Still, most Connecticut residents will get a tax cut this year. According to the Tax Policy Center, 8.4% of Connecticut households will pay more in 2018 than they would have under the old law, more than the national average of 6.3%.

"I believe it does help people



Democratic Gov. Dannel Malloy addressed the House and the Senate in Hartford on Thursday as the legislative session ended.

ple overall in this country, but in states like Connecticut or New York or New Jersey, it's not going to help as much," Ms. Klarides said of the federal tax overhaul.

"And so we may have to look at it in a creative way to figure out if there is a way we can help our constituents."

Lawmakers in other high-tax states have been searching for ways to mitigate the brunt.

New York last month created a new optional payroll tax that shifts the deductions from individuals to businesses, which are still allowed to take it.

In New Jersey, Gov. Phil Murphy, a Democrat, signed legislation last week that allows towns and cities to establish charitable funds that taxpayers could contribute to in exchange for a 90% credit on

their property tax bills. But it is unclear whether these legislative workarounds will succeed.

"I know this is going to be challenged by the IRS," said Connecticut Republican state Sen. L. Scott Frantz. "But nonetheless, you have to try."

U.S. Treasury officials previously have cast doubt on the idea of using charitable contributions as a workaround, but

they haven't issued formal guidance. The IRS didn't respond to a request for comment.

Michael Darcy, executive director of the New Jersey State League of Municipalities, said mayors need more information about how the charitable funds would work before deciding whether to use them.

—Kate King contributed to this article.

Ex-Assembly Speaker's Graft Trial Heads to Jury

BY CORINNE RAMEY

Clickbait-style headlines flashed on blue monitors in a Manhattan federal courtroom Thursday during closing arguments in the corruption retrial of ex-New York state Assembly Speaker Sheldon Silver.

"Three easy reasons you know the defendant is guilty," said the first. Then, "Eight reasons you know Silver is guilty of the asbestos scheme." And, "Seven reasons you know Silver is guilty of the real estate scheme."

After a trial of less than two weeks, Mr. Silver's fate is now in the hands of a Manhattan jury.

Assistant U.S. Attorney Tatiana Martins said Mr. Silver, a Democrat and once one of the state's most powerful politicians, used his considerable influence with real-estate developers and an asbestos-cancer researcher to line his pockets.

Michael Feldberg, a lawyer for Mr. Silver, argued that the actions of the former lower Manhattan legislator may have been distasteful but didn't constitute corruption.

The case rests on a crucial point: Whether favors and subsequent exercises of power constitute a quid pro quo agreement, or if a guilty verdict requires an explicitly

stated deal.

Mr. Silver, 74 years old, is standing trial a second time. In 2015, a different Manhattan jury convicted him, and the next year, U.S. District Judge Valerie Caproni sentenced him to 12 years in prison. Last year, after a Supreme Court case narrowed the definition of some public-corruption crimes, a federal appeals court overturned Mr. Silver's conviction.

Prosecutors have described Mr. Silver's alleged crimes as two separate schemes. In one, they claim, a mesothelioma doctor steered patients to Mr. Silver, who then sent them to a law firm in exchange for referral fees. In the second, they claim developers sent business to a different law firm, which also paid Mr. Silver fees. In exchange, Mr. Silver pushed for policies important to the developers, prosecutors say.

In all, prosecutors say, Mr. Silver netted about \$4 million in alleged kickbacks and bribes.

Mr. Feldberg said such referral fees were common in the law business. And in New York state, it is legal for legislators to earn outside income, he added. He emphasized that witnesses never said Mr. Silver had a plainly stated agreement with either the oncologist or developers.



KELLYANN PETRY FOR THE WALL STREET JOURNAL

Mr. Silver leaving court Thursday.

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RENDZ-VOUS NIGHT & DAY MEDIUM

GREATER NEW YORK

Peking Duck Benedict, Anyone?

New York City restaurants appeal to multicultural palates with some funky variations of a classic egg dish

BY CHARLES PASSY

In New York City, there is a battle cry among chefs: How bizarre is your Benny?

Benny as in eggs Benedict, the dish that in its traditional form typically features poached eggs and Canadian bacon on two halves of an English muffin, all topped with hollandaise sauce—an elegant hangover cure if ever there was one.

FOOD & CULTURE But in recent years, chefs in the city have re-invented the weekend favorite to suit contemporary and multicultural tastes. As they head into Mother's Day this Sunday, one of the biggest brunch occasions of the year, their creations are coming to the fore.

Think the Bombay Benedict, replete with a mango pickle-flavored hollandaise sauce, which is served at Pondicheri, an Indian restaurant in the NoMad neighborhood in Manhattan. Or the Quesadilla Benedict, a south-of-the-border-inspired version offered at El Toro Blanco, a Mexican dining spot in Greenwich Village.

Or the Peking Duck Benedict at Pinch Chinese, a SoHo restaurant that features the dish as a way to sample the fowl favorite without committing to a whole bird.

Queens Comfort, a restaurant in the Astoria section of Queens that specializes in eclectic takes on comfort food, serves close to a dozen varieties on any given weekend, from the American Hardcore, with pecan-crusted bacon, to the Big Easy with andouille sausage. The restaurant even offers a Breakfast Lasagna Benedict that marries the Italian mainstay with the brunch-time classic, albeit with breakfast sausage in place of the traditional Italian sausage.

Queens Comfort owner Donnie D'Alessio says he sells up to 600 orders of eggs



MARK KAULZARICH FOR THE WALL STREET JOURNAL (4)

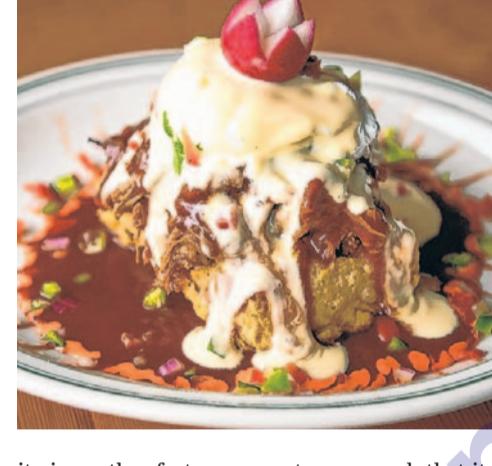
Benedict, in one form or another, during a typical weekend. He is thinking of offering the funky creations on some weekdays as well.

"We definitely have the demand for it," he says.

A few key factors appear to be playing into the boom for bizarre Benedicts, say culinary-world insiders. New York City is a multicultural metropolis, which means it lends itself to a fusion-style approach to food. It also is a city where chefs don't exactly like to rest on tradition.

"We have to push the envelope in New York," says Bobby Flay, the New York City-based celebrity chef. Mr. Flay will be offering his own take on the Benedict, with Serrano ham and olive-oil toast, at his Gato restaurant in Manhattan's NoHo neighborhood as part of a Mother's Day brunch.

Underlying all this creativ-



ity is another factor, says veteran New York restaurateur Shelly Fireman, whose dining spots, including Bond 45, Trattoria Dell'Arte and the Brooklyn Diner, offer several Benedict versions. Namely, the building block of the dish—poached eggs—is bland

enough that it can stand up to all the tinkering.

"It's like brown shoes," he says. "It goes with anything."

Some Benedict purists question if the dish can still be called a Benedict when key elements are radically altered. "You lose the intent,"



Choices at Queens Comfort, left, include the South by Southwest Benedict with pulled pork, below left. Pondicheri, above, offers the Bombay Benedict, below, with a mango pickle-flavored hollandaise.

siders the restaurant's offerings "Benedict adjacent," and not the pure Benedict.

Chefs also admit their experimentation can go too far. Consider the health-minded Benedict "bowl," with a yogurt-based sauce in place of the hollandaise and gluten-free croutons instead of English muffins, that was offered at the Egg Shop, a breakfast-themed New York City restaurant, now with two locations.

While Egg Shop chef Nick Korbee says the dish was "intensely satisfying," he concedes "there was something that got more and more strange about eating eggs Benedict in a bowl."

The fervor for Benedict-gone-wild extends beyond New York City. Restaurants from New Orleans to Chicago to San Francisco offer variations of the dish, often with a regional flavor.

City Deliberates Changing Middle-School Admissions

BY LESLIE BRODY

The stressful process of getting into New York City's public middle schools is facing a test as parents debate how to overhaul admissions and promote integration. Brooklyn's District 15 offers an instructive case study.

Ten of the district's 11 middle schools screen applicants by grades, test scores, attendance or other factors. That has led to disparities by income and race. About 70% of the white students in grades six through eight, for example, clustered at three high-performing schools last year, according to state data.

The area is one of the first in the city to seek a path to districtwide integration for middle schools. Its Diversity Plan Working Group, made of parents and educators, expects to unveil a draft for revising the admissions system in June, with final recommendations in July.

An open house Saturday at the Miccio Community Center in Red Hook is intended to solicit public feedback on possibilities. The city Department

of Education said it would decide on any changes in the admissions system, and a timeline is unclear.

Currently, fifth-graders in District 15 rank schools they want to attend, and schools rank students they want to enroll, based on their academic records and other criteria. One option, New Voices School of Academic & Creative Arts, for

'You shouldn't be putting your kids through that when they're 11.'

example, requires an interview and audition. The Department of Education makes matches. While many families like having choices, and everyone is guaranteed a spot, many parents express concern this approach leads to self-segregation.

How to structure admissions is a contentious issue. Many parents worry changes may force their children to lose ac-

cess to desirable spots or that good schools might weaken. Across the East River, for example, some parents have balked at a new proposal to diversify classrooms in Manhattan's Upper West Side by setting aside one-quarter of seats in each District 3 middle school for students with low test scores.

In Brooklyn's District 15, many parents have called for a new admissions system. In addition to integration goals, they say competition for well-regarded schools puts too much pressure on young children, and gives too much of a boost to plugged-in parents who can pay for tutoring and other advantages. Some coveted schools have drawn more than eight applications per seat.

"I consider this a Hunger Games type of process," said Antonia Ferraro, a parent on the Community Education Council for District 15. Many children end up in tears when they don't get into their top choice for sixth grade. "It's horrifying, like a college application process," Ms. Ferraro said. "You shouldn't be putting your kids through that when they're 11."

GREATER NEW YORK WATCH

CRIME

Man Charged in Hack Of West Point Site

A California man has been charged with hacking and defacing websites for a West Point counterterrorism research center and a New York City government finance agency.

A criminal complaint accuses Billy Ribeiro Anderson with hacking the two sites in 2015 and 2016 using the online pseudonym "Alfabeto Virtual." It says he modified them to display "Hacked by Alfabeto Virtual."

Federal prosecutors in Manhattan announced computer fraud charges against Mr. Anderson on Thursday.

There was no lawyer on record who could comment for him.

—Associated Press

LONG ISLAND

Motorist Dies After Striking School Bus

A woman was killed when she crashed her car into a parked school bus on Long Island.

Suffolk County police say Jennifer Dowling, of Shirley, was driving on Sunrise Highway Service Road in East Patchogue just before 8:30 a.m. Thursday when she rear-ended the bus, which was parked on the shoulder.

The 38-year-old woman was taken to a hospital, where she was pronounced dead.

Police say the bus driver, who was alone on the bus, wasn't injured.

Police are still investigating the accident.

—Associated Press

YALE

Administrator Calls Incident Troubling

Yale University police officers who responded to a call about a black graduate student who had fallen asleep in the common area of a campus residence admonished the white student who reported it, a university administrator said Thursday.

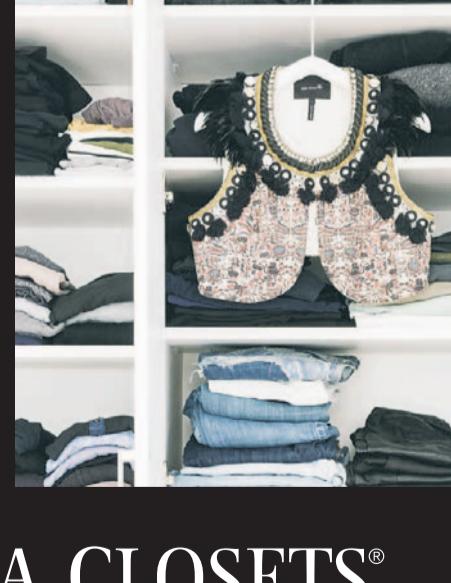
The officers interviewed both students and then told the complaining student the other woman had every right to be there, according to Yale Vice President for Student Life Kimberly Goff-Crews, who said she found the episode deeply troubling.

The black student, Lolade Siyonbola, posted two videos of the encounter on social media.

—Associated Press

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LIFE & ARTS | SUMMER MOVIES 2018

IT ISN'T SUMMER WITHOUT A SHARK MOVIE

BY ELLEN GAMERMAN

HERE ARE SOME SHARKS that have broken into Hollywood: A swamp shark, a ghost shark, a two-headed shark, a snow shark, a sky shark, a toxic shark, a lake shark, a shark in Venice, a spring-break shark, a three-headed shark and a sharktopus.

Ever since "Jaws" marked the arrival of the summer blockbuster in 1975, the shark movie has become as much a sign of the season as flip-flops and sunscreen. This year is no different, with the August release of "The Meg," about a more-than-75-foot prehistoric shark that emerges from the depths of the Pacific. A trailer for the movie, about the return of an actual creature that is believed to have roamed the oceans millions of years ago, shows people—and a dog with a pink bow—paddling away in terror.

In July, the Discovery Channel will mark the 30th anniversary of its "Shark Week" with at least 19 hours of documentary-driven programming. In August, the sixth and final "Sharknado," the Syfy sharks-in-a-tornado franchise, will air in the U.S. Syfy is also set to debut "Megalodon," another thriller about a prehistoric shark, and an original movie called "Six-Headed Shark Attack." (Tag line: "Don't mix with the six!")

The clichés of shark thrillers are among the genre's charms—the bad science, the "angry" shark with a personal vendetta, the circling dorsal fin, the unsuspecting bathers shot from below in shark's-eye view.

"Personally, I'm tired of seeing shark movies where the shark explodes," said Jon Turteltaub, director of "The Meg," who nevertheless would not rule out a shark exploding in his movie. "If I'm going to blow up a shark, I'm going to have to find a different way."

Among the challenges for shark films: Filmmakers often have to balance the psychological battle between man and nature with a wink at the genre-savvy audience. And while directors know there's no such thing as a trained shark, a computer-generated shark can be tough to handle, too. Making realistic-looking air bubbles erupt during a shark attack is particularly tricky.

But perhaps the toughest task goes to the composers, who must write a theme that isn't the one from "Jaws." "I can guarantee you there's no worse job in Hollywood than being asked to write the musical score for a shark movie," said Mr. Turteltaub.

"The Meg," from Warner Bros. Pictures and China's Gravity Pictures, has changed studios and directors several times since the book by Steve Alten was first optioned more than 20 years ago. Mr. Turteltaub estimates the film's budget at somewhere between \$100 million and \$150 million. One blogger predicted the movie would be "the thinking man's 'Snakes on a Plane.'"

Big budgets are not a requirement for shark movies, and fans sometimes love them even more for being low rent. For the first "Sharknado," director Anthony C.

You Can't Jump These Sharks

The star of "The Meg" is a megalodon shark more than 75-feet long. Here's how it stacks up to other famous sharks in film history.

Approximate sizes:

Jaws 2

30 ft.

The Meg

Over 75 ft.

Deep Blue Sea

26 ft.

Jaws

25 ft. long

Jaws: The Revenge

28 ft.

Finding Nemo (Bruce)

Bigger than a clown fish

Source: Sizes for "Jaws 2" and "Jaws: The Revenge" are taken from books relating to the films. Additional information from IMDb.

Mike Sudal/THE WALL STREET JOURNAL.

'The Meg,' with Jason Statham, left, features a prehistoric shark that emerges from the depths of the Pacific.

"Jaws." Actress Susan Backlinie, the skinny dipper who is the first victim in the film, said she wore jeans shorts with metal sides attached to cables that crew members dragged back and forth on the beach to make it look as if she were being mauled by a shark. Fearful that she might actually get attacked by a shark during filming, or drown, Ms. Backlinie bought her own quick release fittings so she could get away in an emergency.

Later, when adding effects to her death scene in a recording studio, she said, Mr. Spielberg poured water into her mouth while she screamed in a kind of extended gargle. "It was the only way on dry land to get the water sound," said Ms. Backlinie, 71 years old, who lives on a boat in Ventura, Calif.

That scene, like the "Jaws" score by John Williams, has become a cultural touchstone. When Declan O'Brien was filming "Sharktopus," a 2010 Syfy movie about a half-shark, half-octopus, he did a shot-for-shot recreation of Ms.

Backlinie's shark attack. Except in his version, a giant sharktopus jumps out of the water and eats the shark that is eating the swimmer. Though he has made other movies, Mr. O'Brien suspects he will be remembered for the one that caused a sensation on Syfy when it aired.

"Sharktopus," he said, "will probably be on my tombstone."

Ferrante chased an actress with a fake shark fin and a go-pro camera to complete a scene. The movie, whose budget Mr. Ferrante estimates at \$1 million, became a cult hit. Its sequel set a record as Syfy's highest-rated original movie.

Mr. Ferrante said no actors would agree to do the film when it was called "Sharknado," so the project was renamed "Dark Skies." "Obviously I kind of knew it would be 'Sharknado,'" said Mr. Ferrante. "I knew the power of the title." A few days into shooting, when the actors learned they actually might be in a film called "Sharknado," he said they turned on him. "It was like 'Frankenstein' with the pitchforks and the torches. In everybody's head it was like, 'This is go-

ing to destroy our careers.'"

For some filmmakers, hits like "Sharknado" have gone too far in turning sharks into punch lines.

"I just realized people stopped finding sharks terrifying and real," said Anthony Jaswinski, who wrote "The Shallows," a 2016 movie starring Blake Lively as a surfer who battles a great white shark. Mr. Jaswinski saw the story as a metaphor—shark and woman as battle-scarred survivors—but he ultimately added in Hollywood touches. "The studio needs more than one person to be killed in a shark film," he said.

The rise of computer-generated images has limited shark wrangler Stuart Cove's feature-film business. Mr. Cove, who was once scalped by

a shark while working on an IMAX movie, uses a "chumscicle," a block of frozen fish parts he pulls from a garbage can to trigger a feeding frenzy. He also provokes sharks by wearing fish strapped to his body over his chainmail base layer while in the ocean.

"Jaws" director Steven Spielberg taught filmmakers who followed that the unseen shark and the dread of what lurks beneath the water's surface is scarier for audiences than the shark itself. In "Jaws," this was a happy accident: The predator was rarely in the shot because the various mechanical sharks Mr. Spielberg was using kept malfunctioning.

The first kill in a shark movie has to be striking, as it was in

Photo: AP

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LIFE & ARTS | SUMMER MOVIES 2018



Jeremy Renner, left,
and Jon Hamm in
'Tag,' opening June 15

FROM TOP: WARNER BROS. (2); MELINDA NORMAN



BY RUSSELL ADAMS

IN THE FALL OF 2012 I was working on The Wall Street Journal's markets desk, editing articles about bond markets and orange-juice futures, when I got an email offering me a story idea.

"I wondered if you might want to write that crazy ahd i mentioned to you about the guys who play 'tag' every feb. remember?" my former colleague Josh Prager wrote. He had left the Journal and didn't have time to pursue it.

An "A-hed" is the Journal name for the funny, quirky story that appears amid the news on the front page.

Over the next couple of months, I got to know the story behind the world's most epic game of tag and how it kept 10 friends from Spokane, Wash., connected from high school into middle age. I interviewed the players and was captivated by their crazy stories and their friendship. But I never expected this project would introduce me to the workings of Hollywood and culminate in the movie "Tag," which opens June 15.

The truth is, I had doubts about the story at the start. I wondered if readers would relate to 10 guys they never heard of who chased each other around for a month each year. I thought my editors might ask for something broader, like a trend story about adults who play kids' games. Then I got the response to my proposed story on the tag game: "Oh god yes," the Page One editor wrote back.

On Jan. 29, 2013, the story appeared on the front page of the Journal with the headline, "It Takes Caution, Plan-

ning to Avoid Being 'It.'" Emails flooded in. People didn't just identify—they wanted in. A group of military vets asked for a copy of the "Tag Participation Agreement," the legal document that outlined the rules of the game. So did a group of women from Texas who had lost touch after college. Eventually we put the contract online.

It didn't take long to know that this story wasn't going to disappear with the next day's paper. Colleagues told me this was "a total Will



Annabelle Wallis plays a Wall Street Journal reporter in 'Tag.'

Ferrell movie," which sounded too good to be true. Then movie people started calling. I talked to some of them before I found out the Journal owned the article and had its own Hollywood agent—so I started forwarding the calls to him.

Meanwhile, the tag players had become minor celebrities. I watched with some discomfort as they had their lives upturned by constant interview requests, from CBS to the BBC. They assured me they were mostly enjoying it. ESPN followed them around for a piece on that year's game, which was crazier than ever.

In the midst of the game, movie talks intensified. The tag players hired an agent,

who would handle the life rights (the right to portray a person in TV or film) while the Journal's agent negotiated the rights to turn the article into a movie. By mid-February they had a deal. Producer Todd Garner of Broken Road Productions would put together a package and shop it to studios.

The producer's negotiating window closed without any word, and by April I wondered if the ride was over. Then one afternoon I got a call from a senior editor: "Can you come in my office right away?" Our agents were on the phone.

The producers had talks with Mr. Ferrell and Jack Black to star in the movie, as part of a package that had sparked a bidding war between Warner Bros.'s New Line Cinema and DreamWorks Pictures. Our agents needed to know my "high-end asks." I asked them if they could tell me what to ask for.

We settled on a screen credit, a paid position as a consultant or other role, and tickets and paid travel and accommodations for six guests at the premiere. (The Journal's share of the money, which it would split with me, was already determined.)

New Line prevailed. Its winning bid granted me a screen credit, two tickets to the premiere and additional payments if the movie becomes "the next 'Anchor man,'" as one agent put it.

Over the next few years the only real signs of a movie came from payroll, which alerted me each time my paycheck was about to grow, when New Line optioned the project for a second time in May 2015, and again when the studio purchased it about a year later. In the end, my

earnings amounted to five figures—nice, but not enough to quit my day job.

Then things moved quickly. The star lineup had changed. Jon Hamm, Ed Helms and Jeremy Renner were in, along with Hannibal Buress, Jake Johnson, Isla Fisher and Rashida Jones. Filming began in Atlanta last summer. The release date was moved up. The trailer came out in the spring.

My education in the movie business culminated on a recent Friday afternoon in a Warner Bros. screening room where I watched the Hollywood version of the story.

The movie "Tag" is more extreme than the real-life tale—in fact, Mr. Renner broke an elbow and a wrist during filming. More than anything, though, watching it made me wonder how I could have ever questioned the story's Hollywood potential.

Early in the movie a Journal reporter—played by British actress Annabelle Wal-

lis—is interviewing Callahan (Mr. Hamm), CEO of an insurance company, when Hoagie (Mr. Helms) busts in and tags him. Callahan decides to drop everything to pursue the game and tells the reporter they'll have to reschedule the interview.

No way, she tells him. She's coming along: "This is a story."

Russell Adams is deputy chief of the Journal's corporate bureau.

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The real-life tag players gathered in May 2013 at one member's lake house in Idaho, where they filmed a segment for CBS.

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SUPERHERO FATIGUE? TRY INDIES

Most of this year's independent movies won't begin appearing until September, but a few Oscar-chasing entries will again counterprogram the summer's superheroes and sequels with riskier, more personal storytelling. The selections here vary widely, and there is a measure of humor in almost all of them, but bleaker themes keep popping up: young people despairing of their future, the drone of technological change. As if in protest, some filmmakers freely traffic in spirituality and magical realism. —Richard Turner

First Reformed (Opens May 18)

Paul Schrader, a star of the dashing American movie revolution of the 1970s, is still writing and directing, and still interested in faith and violence. He wrote the films "Taxi Driver" and "The Last Temptation of Christ" and co-wrote "Raging Bull." When he made a movie from a book by crime writer Elmore Leonard, he didn't pick "Get Shorty" or "Out of Sight" but an outlier, "Touch," about faith-healing and stigmata. Here he sets his original script in the Dutch Reformed Church, reflecting his own Calvinist background: He has said he didn't see a movie until he went to college. **Ethan Hawke** plays a former military chaplain who is having a crisis of faith, and through voiceovers and conversations, there are theological discussions that may sound more like Dostoevsky's "The Brothers Karamazov" than taxi driver Travis Bickle. It's more compelling than it sounds, and Mr. Schrader directs with a deliberate pace and formal, severe camera work. With Amanda Seyfried as a pregnant congregant married to a radical environmentalist, and Cedric Kyles (aka Cedric the Entertainer) as a kindly pastor at a nearby megachurch who takes a more practical view of his ministry than Mr. Schrader seems to approve of.

**American Animals** (June 1)

The film begins by saying, "This is not based on a true story. It is a true story." In his first feature film, Bart Layton, a British documentary maker ("The Imposter") tells the story of four students at Transylvania University in Lexington, Ky., as if it's a fictional heist movie. The boys come from well-off families but are bored with fraternities and their dull job prospects. Somehow they talk themselves into planning to steal a trove of rare, valuable books from the college library. The "animals" are partly a reference to Audubon. Mr. Layton uses actors for the narrative, but sometimes toggles to interviews with their real-life counterparts—a device that works. Suffice it to say their enterprise doesn't go as planned, and the question becomes: These guys weren't dumb. They didn't lack ambition. So why were they such complete morons?

**Leave No Trace** (June 29)

Director Debra Granik and co-writer Anne Rosellini's last film, "Winter's Bone" in 2010, was about a girl searching for her missing father amid rural poverty in a meth-ridden area of the Ozarks. Widely praised and little-seen, it is best remembered for introducing a young actress from a short-lived TBS sitcom called "The Bill Engvall Show." Jennifer Lawrence was nominated for an Oscar. This time the filmmakers usher in newcomer **Thomasin McKenzie** from New Zealand, now 17, who plays Tom, a girl who lives off the grid outside Portland, Ore. with her father (**Ben Foster**), a veteran who is a loving dad but suffers from post-traumatic stress. We aren't quite sure what he's running from. They are encamped on public land, and well-intentioned social-services workers try to yank them back into society, with mixed success. Set in forested hills with drugs (painkillers) on the margins, the pace is strikingly unhurried, but most critics at the Sundance film festival didn't seem to mind.

**Sorry to Bother You** (July 6)

Boots Riley's busy social satire is set in an apocalyptic near-future Oakland, full of tent cities and working people with little hope. **Lakeith Stanfield** (from "Get Out" and TV's "Atlanta") plays Cassius "Cash" Green, who gets a job as a telemarketer. Despite almost non-existent prospects of success, he is counseled by an old man (Danny Glover) to "talk white," and Green vaults up the ranks of WorryFree, a company that offers employees lifetime employment contracts in return for food and shelter. It is of course modern-day, high-tech slavery, and the film is full of metaphors, some pounded into the ground. Full of visual tricks, surreal fabulism and bumper-sticker sloganizing, the movie was deemed too frenetic by some critics, but most agreed they want to see what Riley comes up with next. With Armie Hammer as a Silicon Valley-ish tycoon and Tessa Thompson ("Thor: Ragnarok") as Green's girlfriend.

**Eighth Grade** (July 13)

Bo Burnham, 27, decided that he wanted his first feature film to be about two things: the Internet and the anxiety of middle school. He emerged as a comic, actor and musician when he was 15 and some of his satiric songs went viral on YouTube. For the movie, he watched many videos of 14- and 15-year-old kids sharing their innermost thoughts and feelings on social media. He concluded: "The boys mostly wanted to talk about Minecraft, the girls wanted to talk about their souls." His movie is steeped in the digital world but remarkably human. Kayla's shoulders droop with discouragement. In her YouTube confessionals she presents herself as a confident self-help guru navigating the eighth grade, but conveys the opposite. Her single dad (Josh Hamilton) tells her how wonderful she is but it doesn't matter. Her adventures in the real world of crushes and mean girls lurch from one humiliation to the next, cringe-inducing but also authentic and funny. Mr. Burnham says it wasn't hard to coax Kayla out of **Elsie Fisher**, who was the voice of Agnes in the early "Despicable Me" movies and just turned 15. "She isn't shy," he says. "She plays shy."

Don't Worry, He Won't Get Far on Foot (July 13)

A cinematic journey through the 12-step recovery manual doesn't exactly sound like a romp, but **Joaquin Phoenix**, who is in almost every scene, keeps it moving. He plays John Callahan, a weird and winsome cartoonist in the vein of Gary Larson of "The Far Side," who also first found fame in the Pacific Northwest after initial bouts of rejection from readers offended by his work. Callahan, who died in 2010 at age 59, was an aimless drunk in Portland, Ore., until he got into a car crash after a night of partying which left him a quadriplegic in a wheelchair (a reference to the title of the film and Mr. Callahan's 1989 memoir). Then he had two problems. In the film, his desperate drinking continues until he joins a group run by a wealthy recovering alcoholic played by a (thinned-down) **Jonah Hill**, who helps him get sober and discover his talent for dark humor and drawing, for which he used an arm of limited use but mostly his mouth. Director Gus Van Sant had been trying to develop the project for years. Rooney Mara plays Callahan's Audrey Hepburn-like girl-friend and Carrie Brownstein of "Portlandia" adds regional touches.

**Juliet, Naked** (Aug. 17)

Fans of Nick Hornby's novels know that he's interested in obsessions. "Fever Pitch" was about a mad Arsenal football fan (made into two movies, one subbing in the Red Sox and starring Jimmy Fallon and Drew Barrymore). "High Fidelity" was about a record store where people chart their lives like Top-40 lists. "Juliet, Naked" is a rom-com about a woman in a seaside English town whose self-absorbed boyfriend (**Chris O'Dowd**) is slavishly consumed with a former rock star, now a recluse. The girlfriend (**Rose Byrne**) strikes up a long-distance romance with the object of his compulsion, who turns out to have a very complicated family. Critics were mixed on the film but lauded Ms. Byrne as the charmingly neurotic protagonist. The mysterious rocker is played by Ethan Hawke.

**The Wife** (Aug. 3)

Glenn Close nails a choice role in this adaptation of Meg Wolitzer's novel of the same name about Joan Castleman, a self-abnegating spouse who came of age in the 1950s. Most of the action takes place in 1992 in Stockholm, where she and her novelist husband (**Jonathan Pryce**) have traveled from Connecticut to collect his Nobel Prize for literature. Secrets of their marriage reveal themselves—no spoilers here for those who haven't read the book—and come to a theatrical conclusion. (Along with her Tonys and Emmys, Ms. Close has six Oscar nominations, more than any living actress who has never won.) Appearing as a young Joan in flashback scenes at Smith College is Annie Starke, Ms. Close's daughter. Jeremy Irons's son Max plays the couple's son. The script is by Jane Anderson, who co-wrote "Olive Kitteredge," HBO's award-winning miniseries with a similar New England vibe.



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INTRIGUE ROILS THE SET OF 'HAN SOLO'

BY BEN FRITZ

WHEN "SOLO: A Star Wars Story" opens Memorial Day weekend, fans will get the answers to decades-old questions about the origins of Han Solo, Lando Calrissian and Chewbacca. But behind one of this summer's most anticipated movies lies another, more uncomfortable question: Who, exactly, is responsible for the final product?

The candidates include:

■ Phil Lord and Chris Miller, the 42-year-old comedy directors behind the "Jump Street" series and "The Lego Movie," who shot "Solo" for six months.

■ Director Ron Howard, 64, who replaced Messrs. Lord and Miller when they were fired last June, finishing production and re-shooting many of their scenes.

■ "Empire Strikes Back" and "Return of the Jedi" screenwriter Lawrence Kasdan, 69, who wrote "Solo" with his son Jonathan. His presence on set grew alongside his dissatisfaction with the liberties Messrs. Lord and Miller took with the script, according to people close to the movie.

■ Kathleen Kennedy, 64, the veteran producer and president of Lucasfilm who is charged by Disney with guiding its iconic, money-printing "Star Wars" franchise.

It isn't unusual for high drama to surround big-budget movies in Hollywood. But firing directors in the midst of production, as Ms. Kennedy did to Messrs. Lord and Miller, is rare.

The move sparked a big change for "Solo." While the original directors attempted a contemporary tone that blended adventure and comedy, Mr. Howard tried to recapture George Lucas's sensibility from 40 years ago, people close to the movie said.

Mr. Lucas hired Ms. Kennedy shortly before Disney acquired Lucasfilm in 2012. Since then, there have been three director changes over five "Star Wars" films.

Gareth Edwards, director of 2016's "Rogue One: A Star Wars Story," was replaced after principal photography by Tony Gilroy, who shot new scenes and re-edited the



movie. In a recent interview on the podcast "The Moment With Brian Koppelman," Mr. Gilroy said "they were in so much terrible, terrible trouble that all you could do was to improve their position."

Colin Trevorrow, the director of "Jurassic World" initially tapped to helm the next "Star Wars" movie, 2019's Episode IX, was dismissed after Ms. Kennedy grew unhappy with his work on the script, said a person with knowledge of his work on the movie.

A firm hand is needed in running a major Hollywood franchise, and Ms. Kennedy's supporters say she has worked well with J.J. Abrams, director of 2015's "The Force Awakens" and Rian Johnson on last year's "The Last Jedi." Others say she has too frequently second-guessed her own choices and hasn't effectively resolved disagreements with directors.

Mr. Johnson said he felt Ms. Kennedy gave him a "creative bubble" that empowered him "to tell the story I cared about in the way I wanted to tell it."

Mr. Abrams said he had differences of opinion "all the time" with Ms. Kennedy, but that she "really takes in what people say

and finds a creative way to aggregate and distill the conversation."

People who have worked with her on past movies, including "E.T.," "Jurassic Park" and "The Sixth Sense," described her as more of a skilled manager than creative mastermind. At Disney, she has worked closely on creative matters with film studio chairman Alan Horn and Mr. Kasdan, the strongest remaining link to the original "Star Wars" trilogy since Mr. Lucas retired.

Mr. Kasdan, who hadn't made a studio movie in more than a decade before returning to Lucasfilm, co-wrote "The Force Awakens" and "Solo" and consulted on the writing and editing of "The Last Jedi."

Lucasfilm under Ms. Kennedy has produced three blockbusters. "The Force Awakens," "Rogue One" and "The Last Jedi" were the highest-grossing movies the years they released. Pre-release polling indicates "Solo" will set a Memorial Day weekend record with an opening of more than \$140 million and possibly as high as \$200 million.

Still, momentum for the series is on the wane since "The Last Jedi." Controversial among fans, its ticket sales fell faster than for

earlier "Star Wars" movies, a sign of weaker word-of-mouth.

Ms. Kennedy and Lucasfilm colleagues met many of Hollywood's hottest directors before selecting Messrs. Lord and Miller to helm "Solo" in 2015. The duo called it "a dream come true for us."

But as the film moved toward production in January 2017, they clashed with Mr. Kasdan over the script, according to some of the people close to the movie.

Last spring, Mr. Kasdan came to the London set and location shooting in the Canary Islands. At times he told cast and crew members when he disagreed with Messrs. Lord and Miller's choices, people close to the directors said. The filmmakers felt undermined, these people said, but wanted to complete production.

In June, Ms. Kennedy concluded her differences with the directors had grown too vast and fired them. Messrs. Lord and Miller knew Ms. Kennedy was unhappy but were making adjustments and were surprised when they were axed, one of the people close to the production said.

Within days, Ms. Kennedy hired Mr. Howard, who worked faster

Alden Ehrenreich and Donald Glover, above, star in "Solo: A Star Wars Story," directed by Ron Howard, left.

than his predecessors, sometimes reshooting scenes in a few hours that Messrs. Lord and Miller spent a whole day on, one of the "Solo" actors said. About 70% of the finished movie came from scenes Mr. Howard shot, another person close to the production said.

This past winter, Messrs. Lord and Miller saw a cut of the movie prepared by Mr. Howard and decided not to challenge their successor for credit through the Directors Guild of America, the people close to them said.

The next "Star Wars" movie, Episode IX, is expected to start shooting in July, but its director drama is already in full swing.

Ms. Kennedy was a fan of Mr. Trevorrow's work from his independent film "Safety Not Guaranteed" and recommended him to her husband Frank Marshall, who produced "Jurassic World." Soon after the dinosaur blockbuster was released in 2015, Mr. Trevorrow was hired to write and direct Episode IX and successfully pitched Ms. Kennedy, Mr. Horn and Disney chief executive Robert Iger on his vision for the sequel, said the person with knowledge of his work.

But Ms. Kennedy was unhappy with drafts Mr. Trevorrow co-wrote and one written by "Harry Potter and the Cursed Child" playwright Jack Thorne for him to direct. Mr. Trevorrow wasn't satisfied with Mr. Thorne's script either and asked to try again, the person close to Episode IX said, but Ms. Kennedy instead fired Mr. Trevorrow last August.

Lucasfilm considered rehiring Mr. Johnson, a person with knowledge of the matter said, though the director said there were no serious discussions. Instead, Mr. Abrams took the job after Ms. Kennedy called him following Mr. Trevorrow's exit.

"I had a bunch of ideas from the beginning, back on VII, of where the story would go," said Mr. Abrams. "I just never in my wildest dreams thought I would have a chance to execute them."

THIS CHEWBACCA IS A HUG MAGNET

BY DARRYN KING

IN AN EARLY SCRIPT for what would become "Star Wars," George Lucas described one character as "an 8-foot tall, savage-looking creature resembling a huge gray bushbaby-monkey with fierce 'baboon'-like fangs."

Based on that monstrous description, it may come as a surprise that Joonas Suotamo, who dons the hirsute costume of Chewbacca for "Solo: A Star Wars Story," finds the Wookiee to be a hug magnet on set.

"I somehow became fair game," the 31-year-old, 7-foot Finn says, laughing. "But I don't mind it. It's a civil service."

Towering over the human cast and speaking in growls and grunts, Chewbacca has been a regular presence in the "Star Wars" universe since the original movie in 1977. He serves as

Han Solo's co-pilot, fighting off Stormtroopers and protecting the Rebel Alliance.

The 7-foot-2 actor Peter Mayhew played the role until "The Force Awakens" in 2015. Because Mr. Mayhew was suffering from chronic back and knee pain, Mr. Suotamo took over the more physical demands of the part and has played the character full-time since 2017's "The Last Jedi." Lucasfilm declined to make Mr. Mayhew available for an interview.

Told while in college he was too tall to be an actor, Mr. Suotamo was working in Finland, selling insurance, substitute-teaching high-school gym classes and shooting corporate videos, when a former basketball coach put him in touch with "Star Wars" casting directors.

In his preparations, Mr. Suotamo studied the earlier films, practicing Chewbacca's dog-like head movements and steady, upright gait in front of a mirror. He credits his college basketball years



Joonas Suotamo, above, plays Chewbacca in "Solo." Right, Mr. Suotamo with Peter Mayhew, who previously played the Wookiee.

and his experience with taekwondo for his ability to pick up the Wookiee's moves.

"Physical intelligence and movement awareness is something I developed," Mr. Suotamo says.

He taught himself some of Chewbacca's distinctive vocalizations, which were originally developed by sound designer Ben Burtt from a combination of bear, wal-



rus, lion and other mammal noises.

He took further lessons on the character from Mr. Mayhew when he joined production on "The Force Awakens" at Pinewood Studios, outside London, in 2014.

"Peter's hands are humongous—like shovels," Mr. Suotamo says. "I have to very much emulate that weight when I'm playing the character."

According to Disney, Chewbacca's costume design has been largely unchanged since the mid-'70s. Based on concept art by Ralph McQuarrie, the suit, made of yak and rabbit fur knitted into a mohair base, was created by makeup artist Stuart Freeborn, who also crafted the ape suits for Stanley Kubrick's "2001: A Space Odyssey."

How does one become a Wookiee? The transformation begins with black makeup around the eyes and a skin-tight, black Lycra suit. The four separate components of the hair suit come next: feet, gloves, body and headpiece.

Mr. Suotamo prefers to put the feet on last, since they are frequently fitted with two-inch heels to make him even taller. "They really get to my calves. You can ask any woman. It's hard to walk in heels for a full day," he says.

For "Solo," Mr. Suotamo and his co-stars went through months of stunt training before shooting began. After so much time inhabiting the character, he says he has developed a feel and a fondness for him.

"It's a very specific character," he says. "That's part of why he's so lovable."

OPINION

About That FBI ‘Source’



POTOMAC WATCH
By Kimberley A. Strassel

The Department of Justice lost its latest battle with Congress Thursday when it allowed House Intelligence Committee members to view classified documents about a top-secret intelligence source that was part of the FBI's investigation of the Trump campaign. Even without official confirmation of that source's name, the news so far holds some stunning implications.

Among them is that the Justice Department and Federal Bureau of Investigation outright hid critical information from a congressional investigation. In a Thursday press conference, Speaker Paul Ryan bluntly noted that Intelligence Chairman Devin Nunes's request for details on this secret source was "wholly appropriate," "completely within the scope" of the committee's long-running FBI investigation, and "something that probably should have been answered a while ago." Translation: The department knew full well it should have turned this material over to congressional investigators last year, but instead deliberately concealed it.

House investigators nonetheless sniffed out a name, and Mr. Nunes in recent weeks issued a letter and a subpoena demanding more details. Deputy Attorney General Rod Rosenstein's re-

sponse was to double down—accusing the House of "extortion" and delivering a speech in which he claimed that "declining to open the FBI's files to review" is a constitutional "duty." Justice asked the White House to back its stonewall. And it even began spinning that daddy of all superspook arguments—that revealing any detail about this particular asset could result in "loss of human lives."

This is desperation, and it strongly suggests that whatever is in these files is going to prove very uncomfortable to the FBI.

The bureau already has some explaining to do. Thanks to the Washington Post's unnamed law-enforcement leakers, we know Mr. Nunes's request deals with a "top secret intelligence source" of the FBI and CIA, who is a U.S. citizen and who was involved in the Russia collusion probe. When government agencies refer to sources, they mean people who appear to be average citizens but use their profession or contacts to spy for the agency. Ergo, we might take this to mean that the FBI secretly had a person on the payroll who used his or her non-FBI credentials to interact in some capacity with the Trump campaign.

This would amount to spying, and it is hugely disconcerting. It would also be a major escalation from the electronic surveillance we already knew about, which was bad enough. Obama political appointees rampantly "un-

masked" Trump campaign officials to monitor their conversations, while the FBI played dirty with its surveillance warrant against Carter Page, failing to tell the Foreign Intelligence Surveillance Court that its supporting information came from the Hillary Clinton campaign. Now we find it may have also been rolling out human intelligence, John Le Carré style, to infiltrate the Trump campaign.

Did the bureau engage in outright spying against the 2016 Trump campaign?

Which would lead to another big question for the FBI: When? The bureau has been doggedly sticking with its story that a tip in July 2016 about the drunken ramblings of George Papadopoulos launched its counterintelligence probe. Still, the players in this affair—the FBI, former Director Jim Comey, the Steele dossier authors—have been suspiciously vague on the key moments leading up to that launch date. When precisely was the Steele dossier delivered to the FBI? When precisely did the Papadopoulos information come in?

And to the point, when precisely was this human source operating? Because if it was prior to that infamous Papadopoulos tip, then the

FBI isn't being straight. It would mean the bureau was spying on the Trump campaign prior to that moment. And that in turn would mean that the FBI had been spurred to act on the basis of something other than a junior campaign aide's loose lips.

We also know that among the Justice Department's stated reasons for not complying with the Nunes subpoena was its worry that to do so might damage international relationships. This suggests the "source" may be overseas, have ties to foreign intelligence, or both. That's notable, given the highly suspicious role foreigners have played in this escapade. It was an Australian diplomat who reported the Papadopoulos conversation. Dossier author Christopher Steele is British, used to work for MI6, and retains ties to that spy agency as well as to a network of former spooks. It was a former British diplomat who tipped off Sen. John McCain to the dossier. How this "top secret" source fits into this puzzle could matter deeply.

I believe I know the name of the informant, but my intelligence sources did not provide it to me and refuse to confirm it. It would therefore be irresponsible to publish it. But what is clear is that we've barely scratched the surface of the FBI's 2016 behavior, and the country will never get the straight story until President Trump moves to declassify everything possible. It's time to rip off the Band-Aid.

BOOKSHELF | By John Kaag

Choose Your Own Adventure

The Existentialist's Survival Guide

By Gordon Marino
(HarperOne, 260 pages, \$25.99)

When it comes to living, there's no getting out alive. But books can help us survive, so to speak, by passing on what is most important about being human before we perish. In "The Existentialist's Survival Guide: How to Live Authentically in an Inauthentic Age," Gordon Marino has produced an honest and moving book of self-help for readers generally disposed to loathe the genre. It is a hybrid of memoir and meditation, a culminating work of philosophy developed after two decades of teaching and writing.

"The thinkers between these covers," Mr. Marino writes, "do not offer a step-by-step plan for coping with our feelings of inadequacy, or a checklist of behaviors to avoid." His book isn't a set of instructions for getting happy fast. "Instead of detailing some strategy for

assuaging our depression, [existentialists] . . . tender advice on how to keep our moral and spiritual bearing when it feels as though we are going under."

Mr. Marino, a professional boxer turned philosophy professor, came close to going under many times. "I am a card-carrying depressive," he writes. He barely got through college; he watched his mother try to kill his "besotted father"; he literally fought his way through his 20s; he watched his parents die frightening deaths from illness. He still suffers from sharp-clawed thoughts. But a reader keeps turning the pages because Mr. Marino is trustworthy and because there is the sense that he has more than merely survived—that he has found meaning in suffering, with the help of a small cadre of philosophical companions.

The rise of existentialism in France after World War II, with the writings of Jean-Paul Sartre and Simone de Beauvoir, gave a name to a long-standing philosophical orientation, one that unflinchingly assessed the human condition as essentially botched. We are born into a wholly indifferent universe, not of our choosing, and then, in Sartre's words, we are "condemned to be free." This isn't the lukewarm freedom of the modern age—the liberty to pick from a tightly circumscribed set of presidential candidates or the ability to buy whatever you want on Amazon. It is far more extreme, more terrifying, than that.

Existentialists claim that humans possess radical freedom, that we are completely, irrevocably responsible for the actions that determine our lives. This lonely burden causes no small amount of anxiety, according to the 19th-century Danish philosopher Søren Kierkegaard. "Anxiety . . . is always about possibility," Mr. Marino explains, "always about the future, and because of this, it impedes our ability to live in the moment."

A boxer turned philosophy professor distills two careers' worth of wisdom: No one is born a coward or a hero—your life is up to you.

Instead of living in the moment, a growing number of people occupy a state of depression teetering on despair, the primary symptom of which is a conscious or unconscious desire to get rid of the self. Of course, this desire can take the form of suicide, but it can also emerge as a desperate, largely futile, attempt not to be oneself, not to take full ownership of life.

This diagnosis isn't supposed to sound dark or pessimistic, just honest and urgent. These difficult thoughts, most dramatically of death, have for Mr. Marino and his existentialists a galvanizing force. "When we are in danger of forgetting what is most important," he writes, "Kierkegaard advised that we should 'summon the earnest thought of death.' Death's proximity—real or imagined—can quickly clarify what is truly vital and what has just been window dressing.

"Above all," Albert Camus wrote of existential authenticity, "in order to be, never try to seem." Mr. Marino knows that this is easier written than followed, how easy it is to "wrap [ourselves] in borrowed clothes." Existentialists urge their readers to own up to reality: Humans strive for meaning in a world that routinely thwarts their efforts. Despite this absurdity, the task of life, according to Nietzsche, echoed by Mr. Marino, remains constant: to "become who you are."

The task of living authentically can be easily obscured. In his most philosophically complex chapter, "Faith," Mr. Marino paraphrases Camus: "A phalanx [of people] . . . have committed intellectual hari-kari by first recognizing human existence for the madhouse that it is, and then mentally constructing an apparatus like faith in God to put everything in order and make some semblance of sense of their lives." It's not that Mr. Marino disparages faith, but rather he, like Kierkegaard, contends that faith never gives one the certainty that many religious seekers crave. Faith is always an irrational passion: an act of trust that runs in the face of countervailing evidence. Raised Roman Catholic, Mr. Marino nearly lost his faith, he reveals, but he keeps open the possibility that true faith is compatible with existential authenticity.

In the end, Mr. Marino directs his reader to "Morality" and, ultimately, to "Love." Radical freedom implies that "no one is born a coward, or, for that matter, a hero. . . . We can change. Moral U-turns are possible." This lesson is the upshot of the book: It's up to you. To realize this, continually, is to truly live authentically in an inauthentic age.

Mr. Kaag is a professor of philosophy at the University of Massachusetts Lowell and author of the forthcoming "Hiking With Nietzsche: On Becoming Who You Are."

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The Roots of Anti-Semitism

HOUSES OF WORSHIP

By Reuven Brenner

anti-Semitism are still all too common, from Britain's Labour Party and America's Women's March to the Iranian regime and the United Nations Human Rights Council. Since I began writing on anti-Semitism half a century ago, I am still continuously confronted with the question: Why? My answer has been that for accidental reasons, Jews have constantly found themselves opposing dominant ideologies of the times.

Thousands of years ago they bet on a religion drawing on a sacred book. The rest of the world was still illiterate, betting on oral traditions and local deities. Memories are mutable and among illiterates lead to flexible behavior. In contrast, a literate religion anchored and guided people no matter where they found themselves—reluctant to accept newer books, sacred or not. Starting with Antiochus Epiphanes around 170 B.C., Hellenistic rulers complained that only Jews among all conquered nations refused to adopt Greek laws and beliefs. Both the Greek and later Roman and Christian authorities interpreted the Jews' adherence to their faith as a refusal

to recognize the authority of the state.

Later, as Jews dispersed around the world, they stood out again. Other small tribes disappeared—either killed or absorbed and assimilated into bigger ones. Jews, despite persecution and some assimilation, survived through the centuries. What to make of that? In part it was still their sacred book. But it was also their dispersal. In some places, such as Spain, they disappeared. Yet they survived in more tolerant lands.

As with literacy, lack of geographic concentration had advantages and disadvantages. The greater their number, the greater the chances of political, rebellious and military clout. But smaller groups have to rely on stronger solidarity and individual effort, the education for both of which becomes part of their deeply ingrained culture. Consider the Passover story.

Jews were a loosely related group when they arrived in Egypt; they became a nation only after overcoming the slave mentality. The matzo—unleavened bread—stands literally in the Exodus story for not having time to bake bread. But it is also a metaphor: The Jewish nation was only "half baked" before leaving for the Promised Land.

Which brings us to the

Jews' disproportionate scientific, commercial and financial successes. The culture of self-reliance has been a necessity. There is no alternative for a people too small to achieve much through politics or military might.

Laws drawing on the misinterpreted biblical text—condemnation of "usury" among them—initially harmed Jews

Jews constantly find themselves opposing dominant ideologies of the times.

but later contributed to their success. They found themselves in banking and finance when the rest of the population was excluded from those professions—which turned out to be the currents of the future.

Jump to the present, with academics and politicians of the left, singling out Jews and Israel for ancient accusations and new ones. The attitude has a certain logic: Jews' success through ages and countries despite severe discrimination is an eyesore to the ideology of blaming others for one's lack of achievement. McGill, the Montreal university with which I have been associated, imposed a 10% ceiling on Jewish medical

students until the 1960s; the University of Toronto's medical school required higher marks of Jewish students until the 1960s; and Toronto's Mount Sinai Hospital was denied status as a teaching hospital until 1962. Yet the Canadian Jews managed to succeed.

The tribe's performance suggests that "culture" and diminished expectations of political clout are a better and faster path to prosper than redistributionist policies.

Which brings us to Europe's stand toward Israel. If Jews stood against the currents of the times through centuries, Israel does the same today. Europe is trying to unite its tribes under a secular, supranational union—and having considerable difficulty. Standing as a counterexample to the European delusion is Israel—a nation state, in which religion plays a significant part, which is successful despite war, terror and the stress of absorbing millions of immigrants. Once again, the Jews stand against faddish currents and are resented for it.

Mr. Brenner holds the Rapaport Chair at McGill University's Faculty of Management. The article draws on his 1983 book, "History: The Human Gamble," and a 2016 speech at the John Paul II Institute in Warsaw.

By Mike Kerrigan

S t. Augustine has always been my favorite saint. How can you not be drawn to someone who, in his wayward youth, prayed, "Lord, make me chaste, but not yet?"

Or how about Augustine's mother, St. Monica, who never gave up on her once-rebellious "son of so many tears"? I can relate—not to the saintliness of the son, but to the steadfastness of the mother.

One afternoon in the early 1980s, most of the kids on the school playground were passing the time with kickball games and other normal recess activities. But among some of the boys in my sixth-grade class, cutouts of magazine centerfolds were circulating the sun-baked blacktop in an unvirtuous circle.

For many adolescent males like us back then, salacious content was the coin of the realm. And it wasn't so difficult to get. As long as there were careless older brothers, unguarded footlockers and

progressive Montessori parents—the trifecta of search-and-recovery missions—there was contraband to be found.

The truth is, I wasn't ready for any of this. I realized that during a saga that played out soon afterward, which I remember as "The Curious Matter of the Playground Pinup."

'Is it right to steal?' No. 'Then don't steal this woman's dignity.'

It involved a buddy of mine named Johnny. I don't recall what I had done to earn Johnny's gratitude, but he was new to the school and might have appreciated my taking him under my wing. Whatever it had been, his manner of repayment showed he was a quick study of local customs. At recess he handed me, discreetly folded, my very own centerfold.

This soapy enchantress was hands down the most beautiful

woman I'd ever seen. She stood coquettishly in a bathtub with sunlight radiating through the window behind her, partially undressed in some kind of strappy pinafore.

It now seems daft to think of a woman standing up in a slippery bathtub, let alone with clothes hanging off. But back then I didn't know enough to have any disbelief to suspend. I put the lovely pinup in my chest pocket, away from prying eyes and close to my heart.

At some point on the bus ride home, though, I got a funny feeling. It hadn't been my first experience seeing the likes of that picture—I had come across a few stashed in wooden forts and other such hideaways. But I'd never taken a forbidden photo into my home: the place where my dad. Just two questions, as I recall, and then her lesson.

"Is it right to steal?" she asked. "No," I answered. "Even when it's easy, and out in the open?" she continued. "No," I confirmed. "Then don't steal this woman's dignity." And with that she took away my bathing belle.

If I'm given 100 tries with my own young sons, I'll never handle it so well. Thank you, mom—and all the mothers throughout history who never gave up on their "sons of so many tears."

Mr. Kerrigan is an attorney in Charlotte, N.C.

OPINION

REVIEW & OUTLOOK

One More Immigration Try

Courts this year have deferred the end of the Deferred Action for Childhood Arrivals (DACA) program, but the issue will return soon enough. So bravo to 19 Republicans who have signed a discharge petition to debate a fix for the so-called Dreamers, which would be an instructive exercise.

Many Republicans want to duck a vote on immigration that divides the party. And there's no urgency since federal courts have ordered the Trump Administration to renew DACA work permits while they consider the legality of President Trump's 2017 decision to end the program.

But the issue of what to do with the 800,000 or so young adults who were brought to the U.S. illegally as children, many of whom have no memory of their home country, isn't going away. These Dreamers remain in legal limbo, and Democrats will use them as a cudgel against Republicans in the fall.

House Judiciary Chairman Bob Goodlatte has introduced legislation to legalize Dreamers. But the bill is riddled with poison pills including an e-Verify mandate for employers, self-deportation of undocumented farm workers and stringent limits on family-based immigration. This would effectively force Republicans to choose between legalizing Dreamers and selling out employers.

This is why Republicans in competitive districts with large Hispanic populations are supporting a "Queen of the Hill" rule that would set up four immigration votes on the House floor. The bill with the most votes that passes would go to the Senate. Democrats could offer a bill that only legalizes Dreamers. The bipartisan USA Act, which pairs border security provisions with legal status, would be debated. Mr. Goodlatte

A debate and vote might save imperiled House Republicans.

would get a vote on his bill, and House leaders would offer their own.

It's unlikely that the Democratic or Goodlatte bills would command a majority. But the USA Act, which has 59 cosponsors including 29 Republicans, stands a chance. Paul Ryan and Kevin McCarthy might also offer a bill that wins the support of most Republicans and perhaps some moderate Democrats.

House Republicans would show they're sincere about solving the DACA problem, and voting would give vulnerable Members some inoculation against liberal attacks. This could be the difference between winning or losing for Carlos Curbelo (Florida), John Faso (New York), Mike Coffman (Colorado), Mark Amodei (Nevada) and Steve Knight (California).

House leaders are reluctant to give up control of the floor, and they don't want to ask Members to vote on controversial bills that President Trump might not sign. But the worst scenario is that no bill gets a majority, in which case Members still get to show voters where they stand. In the best case, the Senate would pass its own bill, and the two chambers would go to conference where the White House could work out a signable compromise.

If Republicans lose the House, they will have less influence when courts eventually rule on DACA. And if the courts let DACA stand as is, Republicans will have lost a bargaining chip for other immigration priorities.

One hundred and ninety-six Democrats have backed the Queen of the Hill resolution. So assuming every Democrat signs the discharge petition, six more Republicans would need to join. A vigorous floor debate would empower a Congressional majority, rather than a minority of the GOP majority.

Have We Got a Muni Bond for You

Municipal bond investors lend at their own risk, and they may want to think long and hard before walking into Illinois's debt mine after the state comptroller started garnishing the Chicago suburb of Harvey's tax revenues to pay for pensions.

For years Harvey politicians skimped on pensions to boost worker pay. The city's \$60.8 million unfunded pension liability is now twice its annual operating revenues, and its police and fire funds are at risk of going broke in the next recession.

But bondholders face a more imminent danger. A 2011 state law impels municipalities to make "actuarially required contributions" to ensure that public-safety pensions are 90% funded by 2040. Pension funds can sue to enforce the law and have a lien on state-collected revenues including sales taxes. Note that the actuarial estimate is a fiscal contrivance. Illinois has repeatedly re-amortized its payments, which is why state pensions are only 40% funded. State lawmakers also exempted Chicago from the pension-funding mandate.

Yet last year a state appellate court ordered Harvey to raise property taxes to cover \$15 million in overdue pension bills. Trouble is, Harvey residents can't afford to pay. The city's 36% poverty rate is nearly as high as Puerto Rico's. Homeowners already pay an effective 5.7% property tax rate—\$5,700 a year on a \$100,000 home—which is six times more than the average in Indiana.

Then last month the state Supreme Court authorized Illinois Comptroller Susana Mendoza to start diverting Harvey's state-collected revenues to pay for pensions. Harvey Mayor Eric Kellogg soon announced that a

quarter of police officers and nearly half of firefighters would have to be laid off.

A recent Wirepoints report found that nearly 60% of Illinois's 651 downstate public safety funds received less than they were due under the 2011 law. As pension funding levels have declined, the annual costs to finance benefits have soared. Many municipalities like Harvey simply can't afford to pay their pension bills.

Yet the Illinois Supreme Court in 2015 concluded that pensions are constitutionally protected. Under Illinois law, cities cannot file for Chapter 9 bankruptcy, which provides a venue for impairing contracts. So municipalities with shrinking tax bases have one option: default. Harvey has already defaulted on eight debt service payments over the past two years.

As Moody's warned last week, "As municipalities' financial capacity to provide core services declines, the risk of bond default and/or restructuring rises." The state court's decision "demonstrates that municipal pensions are 'must-pay' obligations under Illinois law and have greater protection against default than a city's general obligation bonds" that are backed by their "full faith and credit."

Fitch Ratings nonetheless has assured bondholders that debt securitized by tax revenues is still safe. Then again, last year Fitch rated Chicago bonds secured by state-collected sales taxes triple A—nine notches above general obligation bonds. Banks have been shopping around similar underwriting deals.

Puerto Rico's bankruptcy showed that debt securitized by sales-tax revenues is no more secure than general obligation bonds. Investors who knowingly lend to deadbeat governments deserve what's coming to them.

Malaysia's Democratic Spring

Democracy is under pressure these days, so the surprise opposition victory in Malaysia Wednesday is welcome news for the world and especially for that multi-ethnic Southeast Asian nation. A coalition led by 92-year-old former Prime Minister Mahathir Mohamad mobilized voters disgusted by corruption to throw out a ruling party that had governed since independence in 1957.

If it's true that a democracy isn't genuine until there's a peaceful change of power through an election, then Malaysia now qualifies. The opposition coalition won 122 seats in the 222-member parliament compared with 79 for the ruling coalition.

The victory probably wouldn't have been possible without Dr. Mahathir, who was able to persuade ethnic Malay voters to abandon the United Malays National Organization (UMNO) he led for 22 years. The Prime Minister he defeated, Najib Razak, was his protégé but became enmeshed in scandals. We've had differences with Dr. Mahathir over the years, but his return to politics to rescue the better parts of his legacy is his finest hour.

Dr. Mahathir deserves further credit for promising to turn over power to another former protégé, the long-time opposition leader Anwar Ibrahim. Mr. Anwar is currently in prison serving a five-year sentence on trumped-up charges. If he receives a royal pardon as expected, he could run for parliament in a by-election and be Prime Minister within two years.

Malaysia needs Mr. Anwar's leadership to rebuild the country's degraded institutions. The immediate dilemma will be how to clean up corruption without misusing the law to seek revenge on political opponents.

Only Mr. Anwar combines the political skill, belief in liberal values and moral authority to carry through the necessary reforms. There is no guarantee he will succeed, but his experience as a political prisoner starting in 1998 gives him credibility that no other leader has. Like Nelson Mandela in South Africa, he can set a new standard by forbearing revenge and letting the judiciary follow the law.

Malaysia's racial divide will pose an even greater challenge. UMNO has governed through a system of racial preferences that favors the majority Malays over ethnic Chinese and Indian citizens. While paying lip service to national unity, UMNO's leaders fostered Malay nationalism for their own benefit.

This has led to political rent-seeking by elites that hurt Malaysia's competitiveness, and the country sank into what is sometimes called the slow-growth "middle-income trap." Affirmative action and patronage created a culture of mediocrity, prompting many able Malaysians to move abroad for better opportunities.

As Malaysians moved into cities and became better educated, resentment over this system grew. The government initially brushed off the alleged disappearance of \$4.5 billion from a state-owned fund 1MDB in 2015. But the scandal caused several UMNO leaders to defect to the opposition, including Dr. Mahathir.

The new government has a chance to forge a new consensus for reform. But some leaders will be tempted to return to UMNO's methods of control, or to pander to Islamists and Malay nationalists. It's crucial that Dr. Mahathir honors his promise to stand aside soon for Mr. Anwar, who is Malaysia's best hope for fixing its broken politics.

OPINION

LETTERS TO THE EDITOR

Judge Ellis's Demand Raises Bar for Mueller

Regarding your editorial "Judge to Mueller: Show Me the Mandate" (May 5): It is a mistake to limit Judge T.S. Ellis's demand for the unredacted (Rod Rosenstein) original mandate as the focus of the judge's rationale. By now we all know that there was no original predicate crime. Robert Mueller tried to find one and went back 11 years with Paul Manafort to find a crime not predicated by the mandate. The original mandate won't support that nor should it. But Mr. Rosenstein, as needed, apparently expanded the mandate ex post facto or secretly (or both). Judge Ellis would regard that

as "unfettered" and impermissible. Other judges may not care. But more cogent and important was the judge's warning for the investigators not to "compose" a testimony. That could well mean that any cooperating witness testimony gained in return for leniency on a nonpredicated crime could be exclusionary, and leave Mr. Mueller without a provable case. Judge Ellis thus struck at the heart: No suborned evidence gained from exceeding original authority will be allowed. Other judges will agree with that.

LEONARD TOBOROFF
New York

Cultures Spread Learning Via Appropriation

Regarding Jillian Kay Melchior's "The Bias Response Team Is Watching" (op-ed, May 9): The University of Michigan's "bias incident and prevention and response coordinator" is charged with enacting cultural appropriation initiatives, but it is deeply offensive to descendants of Romans to see the Latin-derived words "cultural" and "appropriation" appropriated by people who may have no roots in Rome. In fact, most of the English language was appropriated from other cultures. It is high time for America to come up with its own alphabet (a word originally stolen from Greek) and vocabulary (Latin) that doesn't piggyback on and insult those from whom the words and sounds were appropriated.

Ten years ago Michelle Obama told us that "we're going to have to change our traditions, our history." Three years ago, Hillary Clinton added that, "deep seated cultural codes, religious beliefs and structural biases have to be changed." The Journal's same-day "Fahrenheit 451" Reimagined for the Digital Age" (Life &

Arts) describes a new HBO film based on Ray Bradbury's 1953 novel about a dystopian future in which government seeks to homogenize thought. With government in control of all information, history and culture are whatever government wants them to be. The fact that universities now are leading the way to a future of inoffensive, homogenized expression and thought is as unexpected as it is frightening. Before Bias (French) Response (Latin) Teams (Old English) plow ahead with homogenization, universities need to reboot language and come up with original written and verbal communications. Let's hope that Speech First can hold the BRT at bay until it has unappropriated words to condemn those that it deems inappropriate.

MATT BLAKE
Harrisonburg, Va.

I would write a letter to you on this Orwellian nonsense, but I am afraid of being reported to the Bias Response Team.

DAVID C. SPEEDIE
Charlottesville, Va.

Real Price Transparency Faces Major Obstacles

The Colorado initiative described in Tom Coburn, M.D.'s "Shop Around for Surgery? Colorado May Soon Encourage It" (Cross Country, May 5) oversimplifies the complex reality of health-care billing. Requiring medical providers to publish their base fees will not alone solve the lack of price transparency in health care. Base (aka standard) fees are meaningless numbers if your medical provider is contracted with your insurance plan.

These prices are akin to list prices published in manufacturing industries. Most parties receive some discount, so list price has no significance by itself.

In the majority of U.S. health-care transactions, the only price metric that matters is your insurance plan's contracted reimbursement rate with the doctor or facility providing care. This applies equally to bills for patients with government or commercial insurance plans. The argument that patients could opportunistically save money by paying cash on a self-pay basis instead of using their insurance isn't very compelling. It would be unusual for a provider organization to set its base fee for a given procedure below the highest level of reimbursement offered among its contracted insurance payers. Furthermore, health-plan deductibles provide an economic disincentive to pay for care independently if you are insured. The time base fees matter is when you are uninsured.

Price transparency in health care is overdue. Colorado is on the right track in thinking that free-market forces

will help control health-care spending when patients can compare the cost of a surgical or radiology procedure in different facilities. The ultimate solutions need to give patients visibility into insurance-payer reimbursements with the provider organizations from which they seek care.

ANDREW A. McCULLOUGH
CFO, Fox Valley Orthopedics
Geneva, Ill.

Many patients on employers' insurance and the exchanges have deductible plans, which means once they meet their deductible, only then will their insurance pick up all costs for nonmandated services. Low utilizers, healthy people who rarely meet their deductible, will shop around. But those who have chronic illnesses with frequent visits to doctors and hospitals meet their deductible quickly, and after that won't care about cost since "insurance will cover it."

The Comprehensive Health Care Billing Transparency Act would be an excellent idea if we went back to insurance plans that were 80%/20%, 60%/40% etc., plans that for each encounter the insurance pays 80%, the patient pays 20%, or whatever. The higher percentage the patient pays, the lower the yearly premium, with a cap of say \$10,000 or \$20,000 to avoid medical bankruptcy. Only then will you see some real shopping around for the lowest price.

BESSIE MONTESANO, M.D.
New Fairfield, Conn.

Health-care pricing in America is anticompetitive because pricing is purposely obscured from the public. Obscuring prices for services causes competitive market forces to fail. Just try to Google the cost of a hip replacement in America. You will find an average price of about \$40,000, but you won't see a published fixed price here in Florida. You could fly to Thailand and get a new hip for about \$13,000 and have plenty of money left over to pay for your airfare and hotel. No wonder medical tourism is a thriving market.

WILLIAM V. CHOISER, M.D., J.D.
Orange Park, Fla.

Pepper ...
And Salt

THE WALL STREET JOURNAL



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OPINION

Will Iraq ‘Lean West’ or ‘Lean Iran’?

By Bartle Bull
And Douglas Ollivant

This week the world's attention is focused on the Trump administration's decision to pull out of the Iran deal. But another highly consequential event in the Washington-Tehran struggle will take place Saturday: Iraq's national elections.

Four years after Islamic State exploded onto the scene, Iraq has survived, recovered and beaten expectations. Debates about whether the U.S. should have invaded in 2003, or left in 2011, are for historians. What matters today is that the U.S. has a significant interest in continuing to maintain an alliance with a free, democratic and West-leaning Iraq, which by some estimates is the world's fourth-largest oil producer.

Iraq's elections since the fall of Saddam Hussein have been free, fair and marked by large turnouts. Prime Minister Haider al-Abadi is riding high after his recent twin victories: the defeat of ISIS and the relatively

After Saturday's votes are counted, the U.S. must remain engaged as the parties form a government.

bloodless recapture of oil-rich Kirkuk and other territories occupied by the Kurds. Given the Iraqi democracy's relative durability, what's at stake on Saturday? It's a bit of an oversimplification, but Iraqi voters ultimately will decide whether to “lean West” or “lean Iran.”

The Iranian regime is hard-line Shiite, and Iraq is about 65% Shiite. Remarkably, Mr. Abadi—a Shiite—earns his highest approval ratings among Iraq's Sunnis. About two-thirds of the country's largest religious minority approve of him because of the unusual care he showed toward local Sunni communities while liberating them from ISIS. Meanwhile, Iran is doing its



Billboards for candidates in Saturday's election line the streets of Basra, Iraq, May 7.

HAIDAR MOHAMMED ALLAGUI/AGENCE FRANCE PRESSE/GETTY IMAGES

best to influence the elections, backing former Prime Minister Nouri al-Maliki, other Shiite politicians, some Kurds and a slate of mostly Shiite militias.

In Iraq, national elections determine the relative sizes of the parties and factions, which then horse-trade the country's way to a new government. A good day for Mr. Abadi might see his parliamentary “list” win more than 20% of the vote. His core allies are the al-Sadr movement of poor Shiite nationalists; most of the country's Sunnis; the secular Shiites aligned with former Prime Minister Ayad Allawi; and the growing number of Iraqi Kurds who see their future as more stable, prosperous and free when aligned with Baghdad's rising star.

It would undoubtedly be in the U.S. interest for Mr. Abadi to stay in office after the coming negotiations. He is an experienced capitalist who, upon coming to power, was Iraq's only major Shiite politician never to have visited Tehran to pay obeisance. A proven war-winner, he is technocratic, conciliatory and non-sectarian by nature.

But strange things can happen after Iraqi elections. In 2010 Mr. Alawi won the most seats but Mr. Maliki took the prize. Then, in 2014, Mr. Maliki was unable to secure a third term, despite leading the party that won by far the most seats. In both

cases, the U.S. put its thumb on the scale.

Iraq's growing closeness to its Sunni Arab neighbors has been an important development. Shiite cleric Moqtada al-Sadr visited Saudi Arabia last year, and within two weeks the land border between the two countries opened for the first time since 1990. The United Arab Emirates is rebuilding Mosul's great Sunni mosque. A new pipeline will take a million barrels of oil a day from southern Iraq to the Jordanian port of Aqaba. Kuwait was the host of Iraq's recent reconstruction summit.

Once Saturday's votes have been counted and the postelectoral election begins, the U.S. and its regional Sunni allies must stay engaged, preventing Iranian money and intimidation from dominating the contest. Despite Iran's long land border, the U.S. has the balance of advantages in Iraq, an Arab country with a young, free population and a lively economy. Hezbollah's Lebanon and Bashar Assad's Syria provide dismal examples of what Tehran's embrace can do when America dithers. The U.S. has major resources in Iraq. In our experience, President Trump is popular there. If America uses its assets properly, Iraq's democracy is far more dangerous to the regime in Tehran than vice versa.

The U.S. essentially built the Iraqi Counter Terrorism Service, which

was crucial in the fight against ISIS. Decimated by the fight, the CTS needs U.S. help to rebuild. So long as America's allies control Baghdad, the U.S. should continue to sell arms to Iraq, finance its military, and train and equip its counterterrorism forces. With GDP growth averaging 4.5% since 2016 and production still improving in the south, Iraq could eventually become a U.S. arms customer on the scale of Saudi Arabia.

The U.S. should dangle a full package of military and nonmilitary support during the government-formation negotiations. This is not aid but an investment in a key ally. Last year Washington turned the tide against ISIS by providing a full spectrum of diplomatic assistance, air power, military trainers, and help in navigating the international capital markets. It also helped shepherd International Monetary Fund reforms and brought the World Bank to the table. America's friends around the world—especially those in a tough neighborhood like the Middle East—should know these are the rewards for good behavior.

Mr. Bull is a founder of Northern Gulf Partners, an Iraq-focused investment firm. Mr. Ollivant is a senior fellow at New America and a managing partner at Mantid International, a Baghdad-based compliance firm.

Don't Try To Blackmail Us on Nafta, Mr. President

By Pat Toomey

The Trump administration will soon unveil a “new” North American Free Trade Agreement. U.S. trade negotiators have sought, among other things, to limit its duration, impose new domestic content requirements on certain products, and weaken investor legal protections. Even with these protectionist features, congressional Democrats are unlikely to vote for President Trump's Nafta 2.0. He will need the support of pro-trade Republicans like me to ensure passage of any new agreement.

To pressure us into voting for an agreement that diminishes free trade, some in the administration suggest offering a grim choice: either approve a diminished Nafta, or the president will unilaterally withdraw the U.S. from the existing Nafta, leaving no Nafta at all.

I'll vote ‘no’ on a bad new deal and employ all legislative means to block a unilateral withdrawal.

If presented with this ultimatum, I will vote “no,” urge my colleagues to do likewise, and oppose any effort by the administration to withdraw unilaterally. Pulling out of Nafta by executive fiat would be economically harmful and unconstitutional.

The Framers reserved trade policy for Congress, which has the express authority to establish tariffs and regulate commerce with foreign nations. A president who unilaterally withdrew from Nafta would be directly regulating foreign commerce, imposing significant disruptions on the economy, and infringing on Congress's status as a coequal branch of government.

There have been instances when presidents have unilaterally terminated treaties. They claimed to be using significant inherent and implied powers on international affairs. But as Justice Anthony Kennedy stated in a 2015 decision, these executive powers aren't “unbounded.” And none of the handful of treaties that have been terminated unilaterally were principally commercial in nature.

Unilateral executive withdrawal would amount to the president creating new law by himself. Nafta became operative when Congress passed implementing legislation in 1993. Nowhere in the 1993 law, or in any other relevant statute, has Congress delegated to the president authority to terminate a free-trade agreement. A president can no more repeal ObamaCare or create a new Nafta without Congress's approval.

Should the administration seek to withdraw from Nafta without congressional consent, I hope my colleagues will join me in employing all legislative means necessary to block the withdrawal. While opposing the president on these matters would be politically difficult for Republicans, acquiescing would result in economic harm and complicity in executive overreach. Both should be unacceptable. We frequently, and rightly, criticized the Obama administration for exceeding its legitimate authority.

Rather than trying to coerce free-trade Republicans into voting for an agreement that weakens trade and the economy, the administration can accept the advice from many members of Congress and others to modernize Nafta in ways that expand trade opportunities without curtailing American consumers' freedom. Canada's prohibitive milk and cheese tariffs, as well as its protectionist rules on dairy production, should be moderated. Nafta's pre-internet intellectual-property rules could be strengthened. Although Mexico has recently opened up its energy sector to foreign investors, these gains are vulnerable to reversal if not enshrined in a new agreement. And the current dollar cap on duty-free sales to Mexico is so low that American retailers and shippers find it impractical to sell to Mexican consumers.

These modifications and others would improve Nafta by expanding American export opportunities and encouraging economic growth. Unilateral executive withdrawal, however, would weaken our economy, diminish the institution of Congress, and undermine our constitutional responsibilities on trade. For all of those reasons, let's hope the administration chooses an improved Nafta. The real disaster would be a Mexican standoff between Congress and the president.

Mr. Toomey, a Republican, is a U.S. senator from Pennsylvania.

The FBI's Shocking Disrespect for Congress

By Thomas J. Baker

Last week we learned that some Republican members of Congress are considering articles of impeachment against Deputy Attorney General Rod Rosenstein if he doesn't hand over certain Federal Bureau of Investigation documents. In January, House Speaker Paul Ryan had to threaten the deputy attorney general and FBI Director Christopher Wray with contempt to get them to comply with a House subpoena for documents about the Steele dossier.

I spent 33 years in the FBI, including several working in the Office of Congressional and Public Affairs. The recent deterioration in the bureau's relationship with Congress is shocking. It truly is a change in culture.

Former Directors William Webster (1978-87) and Louis Freeh (1993-2001) insisted that the FBI respond promptly to any congressional request. In those days a congressional committee didn't need a subpoena to

get information from the FBI. Yes, we were particularly responsive to the appropriations committees, which are key to the bureau's funding. But my colleagues and I shared a general sense that responding to congressional requests was the right thing to do.

When I was at the bureau, lawmakers' requests for information got prompt responses.

The bureau's leaders often reminded us of Congress's legitimate oversight role. This was particularly true of the so-called Gang of Eight, which was created by statute to ensure the existence of a secure vehicle through which congressional leaders could be briefed on the most sensitive counterintelligence or terrorism investigations.

On Aug. 27, House Intelligence Committee Chairman Devin Nunes asked the FBI to deliver certain documents immediately. The bulk of the documents weren't actually delivered until Jan. 11. I can't imagine Mr. Webster or Mr. Freeh tolerating such a delay. One of the documents Mr. Nunes requested is the electronic communication believed to have initiated the counterintelligence investigation of Donald Trump in July 2016. The FBI had previously provided a redacted text of that communication, but the Intelligence Committee wanted to see more.

On March 23 the bureau essentially told the committee it wouldn't lift the redactions. There are legitimate reasons why the FBI would want certain portions of a sensitive document redacted, such as when information comes from a foreign partner. But there are ways around such difficulties. Select members of Congress have in the past been allowed to read highly sensitive documents under specific restrictions.

Former FBI Director James Comey didn't even inform the Gang of Eight that the bureau had opened a counterintelligence investigation into the campaign of a major-party candidate for president. He testified on March 20, 2017, that he had kept Congress in the dark about the Trump investigation because he'd been advised to do so by his assistant director of counterintelligence—due to “the sensitivity of the matter.”

The Gang of Eight exists for precisely this purpose. Not using it is inexplicable.

This isn't the way a law-enforcement agency should behave under our system of separation of powers. Attorney General Jeff Sessions must push Mr. Wray to get the FBI's relationship with Congress back on track. The American people deserve it and the Constitution demands it.

Mr. Baker is a retired FBI special agent and legal attaché.

From ‘The Apprentice’ to ‘The Impeachment’

By Gregg Opelka

What if everyone, Democrats and Republicans alike, has been looking at the whole “impeach Trump” furor all wrong? What if, protestations of a “witch hunt” notwithstanding, President Trump actually wants to be impeached?

It wouldn't be the first time Mr. Trump took a completely counterintuitive approach and still managed to outsmart his opponents. The 45th president's knack for escaping brushes with his own demise makes the cartoon character Road Runner look like

a novice. In the hoary electoral days of summer 2015, in a debate moderated by Fox News' Bret Baier, Mr. Trump was the lone Republican of 10 candidates who refused to pledge support for the GOP's eventual nominee. “He's toast,” went the next day's conventional wisdom. Within a year, Mr. Trump became the nominee.

Whether by luck or dint of his outsize persona, the cards always seem to go Donald Trump's way. Did Mr. Trump actually win Michigan, or did Hillary Clinton forfeit it by barely campaigning there? Was branding Kim Jong Un “Rocket Man” in a

speech to the United Nations an irresponsible—nay, apocalyptic—move? Apparently not, since the two leaders

High crimes? More like high ratings. If Democrats take the House, reality TV will never be the same.

will soon sit down to discuss peace on the Korean Peninsula.

Mr. Trump's opponents routinely belittle him as America's first “reality TV” president, as Mrs. Clinton did Monday during a speech in New Zealand. The slur has hardly dented Mr. Trump's support. Assuming the description is accurate, what would such a president want above all else? High ratings. The only “high crime” or “misdemeanor” in show business is boring your audience, which President Trump has never done.

The Trump miniseries has been a succession of ever-escalating ratings bonanzas for supporting and opposing networks alike. First came “The Seventeen Samurai,” a k a the GOP primary, replete with sophomoric taunts about small hands and low energy and—never mind, we don't want to relive it. Then came “Act Two: The Donald vs. Hillary Standoff,” with peripety Euripides couldn't have cooked up. There were the Comey cameos, the Billy Bush tape, the canceled fireworks, the—never mind, we don't want to relive that either.

Act Three of this Quinn Martin drama is “The Mueller Mystery Hour.” Will he find something? Will he not? Will he subpoena? Will he succumb? The bit players—McCabe, Rosenstein, Strzok, Page, Cohen, Manafort—lend the story color, but ultimately they're Mr. Mueller's props. At this point it's anybody's guess how, or for that matter when, the drama will end.

Act Four will be “Midterm Mayhem.” Democrats are predicting not merely a blue wave but a blu-nami. Should that come to pass, impeachment proceedings are all but certain.

But in Act Five, will Democrats once again fail to anticipate Mr. Trump's knack for escaping locked rooms? The chances seem remote that the Senate would vote to convict the impeached president. In that case, impeachment would be merely one more stain on the already besmirched Trump escutcheon. Furthermore, it would let Mr. Trump crown himself victim and victor—a man done wrong but not done in. When they tried to burn him at the stake, the rain put out the flames.

For all his tweeting and bellowing, does President Trump really fear impeachment? Or does he know something his enemies don't? Democrats may think it easy to win a battle for public opinion against a reality-TV star—that is, until they realize he's had a lot more practice at it.

Mr. Opelka is a musical theater composer-lyricist.

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Wells Struggles Under Fed Curb

By EMILY GLAZER

Wells Fargo & Co. will remain constrained by a regulator-imposed limit on growth for longer than expected, its chief executive said Thursday, as the bank continues to address the ramifications of risk-management failures.

Citing "widespread consumer abuses," the Federal Reserve in February imposed an asset cap on Wells Fargo, an unprecedented enforcement

action that threatened to crimp the San Francisco-based lender's revenue and profit growth.

Wells Fargo said at the time that reviews of its plans related to the Fed's enforcement action would be completed by October. The Fed would need to sign off on those plans before the cap is lifted.

But on Thursday, CEO Timothy Sloan said during Wells Fargo's investor day presentation that the bank needed

more time to address and incorporate feedback from the Fed and that the asset cap would continue into the first part of next year.

Wells Fargo is barred from growing past the \$1.95 trillion in assets it had at the end of 2017 unless it gets regulators' permission. It can continue to lend and take deposits.

The updates hit Wells Fargo at a difficult time. Analysts and investors are looking for revenue and business growth

to return while addressing regulatory scrutiny across the firm.

Mr. Sloan said Wells Fargo is having a "constructive dialogue" with the Fed on its recently submitted plans, but can't disclose further information due to confidential regulatory discussions.

Despite the delay, Wells Fargo Treasurer Neal Blinde said during Thursday's investor presentation that Wells Fargo won't have to take as

many actions as it expected related to the Fed's asset cap since "loan and deposit growth is below previous expectations," according to the investor presentation.

The impact on net profit after tax, he said, will likely be less than \$100 million instead of the range of \$300 million to \$400 million Wells Fargo initially projected.

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Pricing of This Year's Biggest IPO Flops

By MAUREEN FARRELL

The largest initial public offering of the year received a weak reception, as shares of insurer **AXA Equitable Holdings** Inc. priced well below expectations, showing that recent strength in the new-issue market is largely confined to the technology sector.

Shares of the U.S. life-insurance and money-management arm of French insurer **AXA SA** rose 1.7%, to \$20.34, on the New York Stock Exchange on Thursday after pricing at \$20 apiece Wednesday night. That was a far cry from the range of \$24 to \$27 the company targeted in April. Since 2010, just 10% of U.S.-listed IPOs have priced below the midpoint of their targeted range, according to data provider Dealogic.

The offering raised \$2.75 billion, making it the biggest new issue on a U.S. exchange this year by proceeds and the largest since **Snap Inc.**'s \$3.9 billion debut in March 2017. It valued AXA Equitable Holdings at \$11.2 billion compared with roughly \$20 billion for Snap at the disappearing-message service's IPO price.

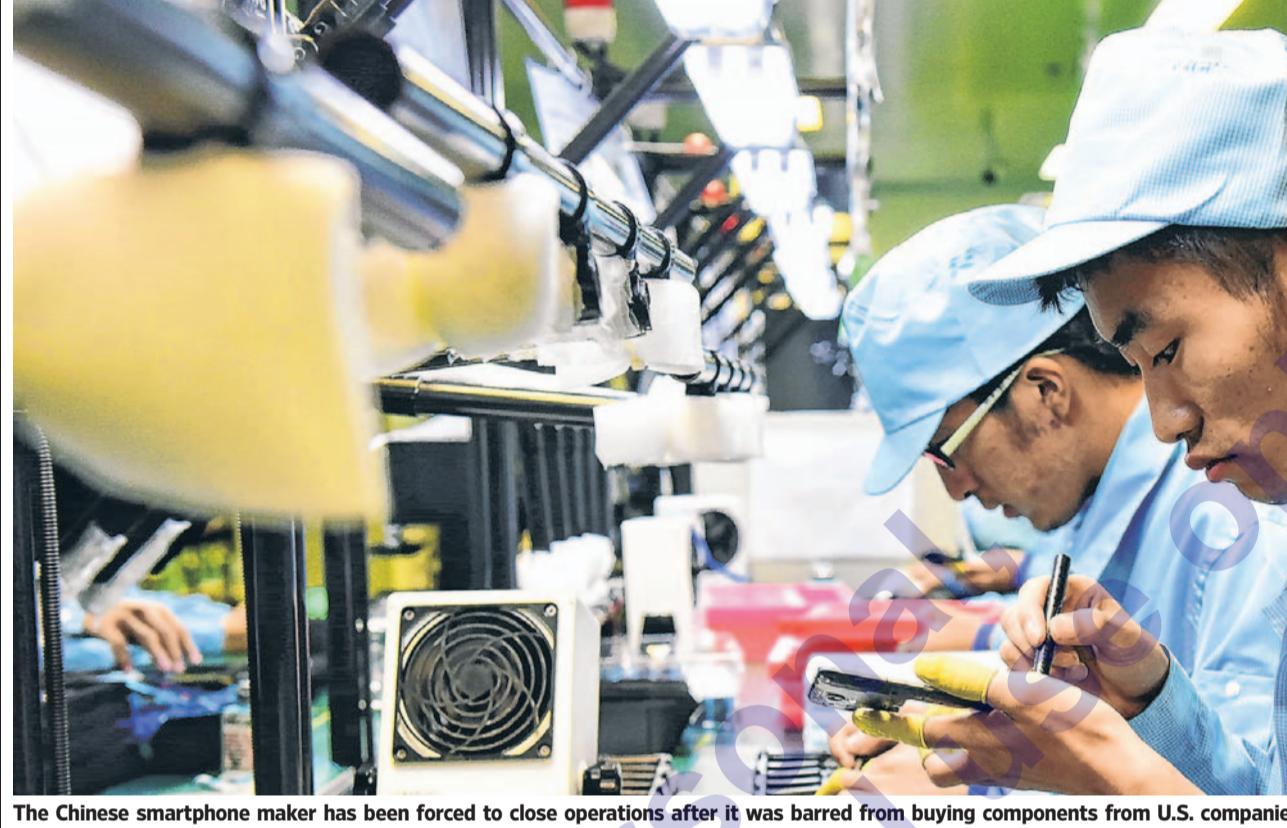
The weak pricing for AXA Equitable came after several insurers recently reported disappointing earnings that clipped their stocks. The company generated a lot of interest during its roadshow with investors, but "market sentiment toward the sector changed last week," AXA Equitable Chief Executive Mark Pearson said in an interview.

Nontech offerings have generated returns of 7% on average this year as of Wednesday's close, according to Dealogic. That compares with a 34% gain for new tech issues, which have benefited from investor enthusiasm over their growth prospects.

After several lackluster years, IPO activity in the U.S. has been robust in 2018. It is the busiest year by amount raised for U.S.-listed IPOs since 2008, according to Dealogic. Technology companies have accounted for nearly 40% of the volume this year, the largest proportion since 2000, as a number of startups that were reluctant to leave the private markets have decided to go public.

Some of the proceeds of the AXA Equitable IPO will be used by AXA SA to help finance its \$15.3 billion planned purchase of XL Group Ltd.

After announcing the XL deal in March, Paris-based AXA said it would accelerate plans to sell a minority stake in its U.S. unit.



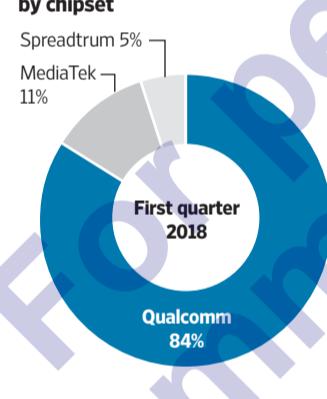
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The Chinese smartphone maker has been forced to close operations after it was barred from buying components from U.S. companies.

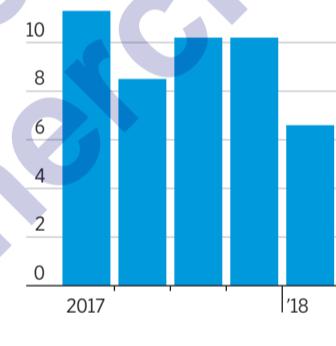
Reliance On America

U.S.-based Qualcomm is by far the biggest supplier of chips for ZTE smartphones, and as shipments of those devices slow the U.S. has gained importance for the handset maker.

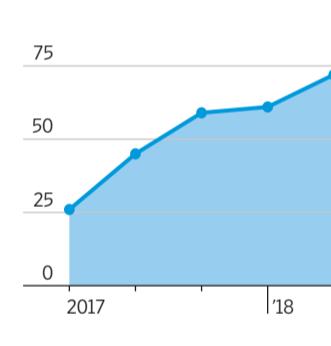
Source: Canalys
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Global shipments, quarterly



Share of total shipments going to the U.S.



As ZTE Falters, Customers Fidget

Customers of **ZTE Corp.** are reassessing their ties with the hobbled Chinese telecommunications firm, concerned that

By Dan Strumpf in Hong Kong and Wayne Ma in Shenzhen, China

supplies of phones and networking gear will fall short after assembly lines were shut down.

Telstra Corp., Australia's biggest telecom carrier, said Thursday it would no longer carry its own-branded smart-

phones manufactured by ZTE because it couldn't guarantee supply. **AT&T Inc.**, the major U.S. distributor of ZTE phones, and **MTN Group Ltd.**, one of Africa's biggest network operators, said they were assessing the impact of a U.S. ban on component sales to the Chinese company.

ZTE said Wednesday it had halted major operations, though employees at its headquarters in Shenzhen showed up to work as usual Thursday. As hundreds of workers streamed in and out of a

nearby cafeteria during lunchtime, some said they had little to do since production was shut down in late April. Others said they were working as usual.

Concerns about ZTE's ability to ship smartphones, routers and other telecom gear have heightened after the company's announcement, which didn't specify which operations were most affected. The telecom firm had warned for weeks that it was battling to survive a Commerce Department order barring American companies

from selling to ZTE as punishment for its violation of a 2017 settlement to resolve its breach of U.S. sanctions against Iran and North Korea.

A ZTE spokeswoman declined to comment Thursday.

The Chinese company relies heavily on foreign-made components, particularly U.S. microchips for its smartphones. **Qualcomm Inc.** supplied chipsets for 84% of phones shipped by ZTE in the first quarter, according to Canalys, highlighting the vulnerability of the

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Turnover of stocks has soared since Keynes's day,

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The critics include some of the smartest and most powerful observers of Wall Street. And it isn't just lately. In the past century, it includes economist John Maynard Keynes, management theorist Peter Drucker and a cast of some of the biggest money managers and companies today, including consulting firm **McKinsey & Co.** and **BlackRock Inc.**

The basic critique was set out by Keynes. Americans, he wrote in 1936, rarely buy stocks for the long run. Instead, they invest in the hope of short-term gains, with baleful consequences: "When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill done."

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K	Robinson, Taylor.....B12 Royce, Mike.....B2
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M	Mack, Mary.....B2 McEwan, Ross.....B10 Milstein, Larry.....B11 Mitra, Aninda.....B11 Molinaroli, Alex.....B6 Moonves, Leslie.....B2 Munger, Charlie.....A1 Murphy, Ryan.....B2
N	Northeast, Bill.....B11
O	Packer, Douglas.....B5 Pearson, Mark.....B1
P	Robinson, Taylor.....B12 Royce, Mike.....B2
Q	Lehmann, Mark.....B11 Liveris, Andrew.....B6
R	Mack, Mary.....B2 McEwan, Ross.....B10 Milstein, Larry.....B11 Mitra, Aninda.....B11 Molinaroli, Alex.....B6 Moonves, Leslie.....B2 Munger, Charlie.....A1 Murphy, Ryan.....B2
S	Northeast, Bill.....B11
T	Packer, Douglas.....B5 Pearson, Mark.....B1
U	Robinson, Taylor.....B12 Royce, Mike.....B2
V	Lehmann, Mark.....B11 Liveris, Andrew.....B6
W	Mack, Mary.....B2 McEwan, Ross.....B10 Milstein, Larry.....B11 Mitra, Aninda.....B11 Molinaroli, Alex.....B6 Moonves, Leslie.....B2 Munger, Charlie.....A1 Murphy, Ryan.....B2
ZTE	Northeast, Bill.....B11

Applebee's Franchisee Files

The second-biggest operator of Applebee's restaurants said it filed for bankruptcy this week partly to protect its franchise rights in two states, but while it is under chapter 11 protection, it also plans to negotiate new leases and contracts.

Atlanta-based **RMH Franchise Holdings Inc.**, owner of 159 Applebee's Neighborhood Grill & Bar restaurants in 15 states, sought chapter 11 protection on Tuesday. The franchisee's restaurants represent slightly less than 10% of all Applebee's locations.

"Significant challenges encountered by the Applebee's brand generally, and specific managerial decisions made on

behalf of it by its franchisor, **Applebee's International Inc.**," have hurt the franchisee's operations and left it "facing near-term liquidity issues," RMH Chief Financial Officer Mitchell Blocher said in a filing Wednesday in U.S. Bankruptcy Court in Wilmington, Del.

Applebee's President John Cywinski declined to comment specifically on the RMH comments but said the company has worked with its franchises to boost Applebee's sales.

"While this situation is rare and unfortunate, we're pleased with our collective progress at Applebee's and very optimistic about our future, and the future of our franchisees," he said.

—Becky Yerak

ZTE

Continued from the prior page
global supply chain as technology firms get caught up in the escalating trade fight between

the U.S. and China.

Telstra said its move to break from ZTE was a "difficult but necessary step given ZTE's decision to cease major operating activities." ZTE was the eighth-biggest smartphone vendor in Australia, well behind other suppliers, according to Canalys.

AT&T, one of ZTE's biggest U.S. distributors, said it is still carrying ZTE phones but is "evaluating the effects of the government order." Rob Shuter, chief executive of MTN, told investors this week that the African operator was considering contingency plans given its "exposure to ZTE in our networks."

ZTE employs about 75,000 people around the world, including in factories in China and India, and has five research-and-development offices in the U.S. Its total sales last year were \$17.13 billion. Though 60% of its revenue comes from China, it has struggled to sell smartphones in its home market.

It is a different story in the U.S., where ZTE is the only Chinese company to build a substantial smartphone business. Among its most recognizable phones in the market is the Axon M, an unusual dual-screen smartphone that folds in half. ZTE ranked No. 4 in the U.S. smartphone market in the first quarter, according to Canalys, with its sales there accounting for nearly three-fourths of its total smartphone shipments last year.

Beyond phones, an array of

U.S. high-tech firms supply components for its base stations and other networking gear. They include Maynard, Mass.-based **Acacia Communications**, a manufacturer of parts known as optical components, used in networking equipment. The firm's chief executive told investors this week that it was no longer expecting any revenue from ZTE.

At ZTE's sprawling headquarters in the high-tech Nanshan district of Shenzhen, employees said they were continuing to report to work and collect their salaries, though factory work had ceased last month.

A 21-year-old factory employee who said he worked on electrical components reported that his work had stopped around April 20, just days after the Commerce Department order. He now attends training sessions in the mornings and rests in a company dorm during his free time. Another factory worker, who sat on a bench during his break in a nearby park, said he used to work on communications equipment before it dried up last month. He said he wasn't upset at the U.S. because it would force China to innovate and develop its own technology.

Among top executives at the company, many were hopeful that a cool-down in trade tensions would lead to a reversal of the ban, a person familiar with the matter said. The company last weekend said it submitted an official request with the Commerce Department to suspend the ban and that it was under review.

ZTE said it "maintains sufficient cash" despite the business shutdown. The company said it had 23.67 billion yuan (\$3.73 billion) in cash and cash equivalents as of March 31.



Car makers chafed at the Obama administration's efforts to toughen standards but have shown tepid support for a rollback proposal.

Auto Summit to Take Up Emissions

BY TIMOTHY PUOKO AND CHESTER DAWSON

The leaders of the world's biggest car companies are heading to the White House on Friday, and it may be their last chance to prevent a head-on collision between the Trump administration and the state of California.

The administration wants to cut back significantly on Obama-era emissions regulations, which are supported by California and other states. The president and his senior advisers have indicated they are ready to confront local resistance to the rules rollback, but they also have shown frustration over what they describe as tepid support from car makers for the regulatory initiative.

The White House, along with environmental and transportation regulators, are bringing in chief executives from **General Motors Co.**, **Fiat Chrysler Automobiles NV**, as well as other car company representatives, to forge a common stance over fuel-economy requirements.

Auto makers have complained the current standards for their cars and trucks are too rigorous, saying they don't reflect consumer demand. But

D.C. Meeting Draws Top Players

President Donald Trump is expected to attend Friday's meeting with auto industry representatives to discuss a possible rollback of emission standards.

He would be accompanied by at least half a dozen advisers, including leaders of the Environmental Protection Agency, Department of Transportation and National Economic Council, according to a senior administration official.

the rollback being pushed by the White House is so extensive, some are concerned it will cause more problems than it seeks to solve.

High on the agenda will be California, which has its own powers over fuel-efficiency standards and is already suing to stop the administration's overhaul. That has escalated a power struggle between Washington and Sacramento that some fear could result in auto makers having to meet two different standards for selling cars and trucks in the U.S.

Ford Motor CEO Jim Hackett and Chairman William Clay

The auto industry is expected to be represented by CEOs or other high-ranking executives from 10 car companies, as well as heads of Washington-based lobbying groups for automotive firms.

High on the agenda will be the Trump administration's view on whether to try crafting new regulations that are amenable to California officials or take an aggressive stance that could lead to an intractable standoff with the Golden State, a result auto makers want to avoid.

—Mike Spector and Timothy Puoko

Ford Jr. have signaled their desire for a compromise. "We're not asking the administration for a rollback," Mr. Ford told shareholders at the company's annual meeting Thursday. "We want California at the table, and we want one national standard that includes California."

At the meeting, Mr. Hackett said, "Bill and I have been clear in our position that Ford is designing its business to exceed and meet those standards that were set previously."

Such statements have confused and irritated some in the Trump administration who

view the regulatory rollback as the biggest step possible to help car makers lower costs and stay in tune with consumer demand.

Some in the Trump administration and even the auto industry consider the reluctance displayed by auto makers to be a public relations ploy. Industry critics note Detroit, despite calls for compromise with environmentalists, is catering to current demand by shifting away from sedans to less-efficient SUVs and pickup trucks in their product lineups.

"The only goal they seem to have in mind is that they don't want to look like the bad guys," said Mike McKenna, who led the transition team for Mr. Trump on energy and is now president of the lobbying firm MWR Strategies.

Representatives for the industry say they want a policy that threads the needle by softening fuel-economy targets but doing so in a way that doesn't unravel progress so far. "We support standards that increase year over year that also are consistent with marketplace realities," Mitch Bainwol, chief executive of the Alliance of Automobile Manufacturers, told a congressional committee this week.

—Christina Rogers contributed to this article.

TV

Continued from the prior page into any of those places and you know change is coming it's going to make you nervous," said Mark Stern, president, scripted television at production firm **Global Road Television**, which has projects in development at ABC and CBS.

The uncertainty adds to the other challenges, including competition for talent and viewers from deep-pocketed streaming services like Netflix and Amazon Prime.

Ratings have eroded considerably for the broadcast networks. Fox has suffered the steepest decline since 2014, with viewership of its non-sports programming falling more than 30% over that span, while NBC's percentage decline was the smallest. CBS has retained the No. 1 spot, despite also losing viewers.

This past season, there were only a few new hits, including ABC's return of "Roseanne" and its medical drama "The Good Doctor," and CBS's comedy "Young Sheldon."

As they unveil their schedules, networks will also be negotiating with advertisers to sell the bulk of their ad space for the TV season in a ritual known as the "upfronts."

Trimming Branches
Wells Fargo's consumer branches

*The bank said Thursday it plans to reduce branches to around 5,500 by the end of the year and to 5,000 by 2020.

Source: the bank

THE WALL STREET JOURNAL.



The comedy 'Young Sheldon' has been a hit show for CBS, one of only a few in the season.

Magna Global, the ad-buying arm of Interpublic Group, projects that ad spending on broadcast and cable will decline this upfront by at least 1%. Last year, the broadcast networks sold \$9.2 billion of advertising in the upfront market, according to a Jefferies & Co. estimate.

Writers whose deals linking them to a particular TV studio are nearing expiration are the most concerned about what the future may hold, producers and agents say.

Earlier this spring, star Fox producer Ryan Murphy cut ties with the Twentieth Century Fox Television studio to go to Netflix. He had expressed concerns about whether his often dark and daring material would be a good fit for Disney.

When there is a change in leadership, "it usually doesn't end in success," said producer Mike Royce, whose credits include Netflix's "One Day at a Time" remake. He said he doesn't worry too much about the future. "You go with who is believing in you," he said.

Of particular interest in Hollywood is what Fox would look like as a stand-alone broadcast network. The Fox network, along with the cable channels Fox News and Fox Sports 1, aren't part of the proposed sale to Disney. Fox's program needs could change, as it is expected to focus more on sports and nontraditional fare such as wrestling entertainment from WWE, whose contract with NBCUniversal is expiring, according to people familiar with the situation.

Fox declined to comment.

21st Century Fox and News Corp, which owns The Wall Street Journal, share common ownership.

With respect to CBS, the concern is whether Chief Executive Leslie Moonves will remain in his role in the event of a CBS-Viacom merger.

A CBS spokesman declined to comment.

Quicken Loans.

Finance chief John Shrewsbury said the bank is still on track with its goal of cutting expenses by \$4 billion by 2019.

Mr. Shrewsbury said Thursday its expense range in 2019 is \$52 billion to \$53 billion, which excludes any additional litigation accruals and penalties.

On Thursday, the bank said it would continue to reduce its branch count, lowering it to 5,000 branches by 2020. Mary Mack, head of Wells Fargo's consumer bank and consumer lending, said that would reduce branches by about 1,000 from present.

BUSINESS NEWS

Musk Doubles Down on SpaceX Rocket

Reusability for 100 launches is one of a few ambitious goals the founder laid out

By ANDY PASZTOR

Staking out another bold space objective, Elon Musk said the latest configuration of his rocket is designed to fly as many as 10 times without any scheduled maintenance, and ultimately could be refurbished and blast off at least 100 times.

Speaking Thursday before the first planned launch of an upgraded SpaceX Falcon 9 rocket, Mr. Musk spelled out his long-term vision of reusability, a concept he has pioneered to revolutionize space transportation. The mission

from Florida's Kennedy Space Center was aborted by a last-minute technical problem, but a second attempt was scheduled for Friday.

Space Exploration Technologies Corp., as the company is formally known, already reuses the lower stage of its current-generation rockets, typically months after the first use.

But starting next year, the company plans to use the same main engines and lower stage to conduct two consecutive missions in a single day, Mr. Musk said. Going further than he has before, he predicted additional advances intended eventually to make space travel as routine and safe as boarding a jetliner.

When it comes to both SpaceX and electric-car company Tesla Inc., which Mr.



GENE BLAIVINS/ZUMA PRESS

Elon Musk calls the Falcon 9 'the most reliable rocket ever built.'

Musk also runs, the billionaire has been criticized by auto-industry analysts and aerospace rivals for boasting about technical accomplishments while laying out super-ambitious

goals and specific timetables that often prove unrealistic.

Recently he clashed with Wall Street analysts over whether Tesla has the ability to ramp up production and re-

solve nagging assembly-line problems.

Mr. Musk's latest comments about SpaceX risk a repeat of that dynamic if the company fails to deliver. Over the years, the company has fallen short of goals to increase launch rates or complete new space-craft on schedule.

But instead of dialing back public projections, Thursday's news conference highlighted Mr. Musk's determination to continue capturing the lime-light with increasingly ambitious goals.

Extralling the latest Falcon 9 as "the most reliable rocket ever built," the SpaceX chief went on to say he is certain his engineering team also "will achieve full reusability" of the upper stage, which now burns up "like a meteor" as it returns to the atmosphere. Fal-

con 9 rockets have suffered two catastrophic explosions since 2015. That has compared with no such failures involving rockets built by rival **United Launch Alliance**, a joint venture of **Boeing Co.** and **L****ockheed Martin Corp.**, over a much longer period.

If the reusability strategy succeeds, Mr. Musk held out the promise of cutting the price of orbital launches to \$5 million or \$6 million, from \$50 million or \$60 million currently.

But Mr. Musk didn't explain when that could occur, or how such a drastic change in his business plan would still produce enough revenue to fund pending multibillion-dollar projects to develop a behemoth deep-space rocket and deploy thousands of small communication satellites.

Ford's China Push Stalls Out as New Models Warm Up

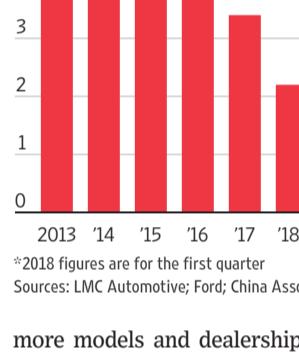
Ford Motor Co.'s big bet on China, the world's biggest auto market, has yet to pay off.

The auto maker launched a \$5 billion investment plan in

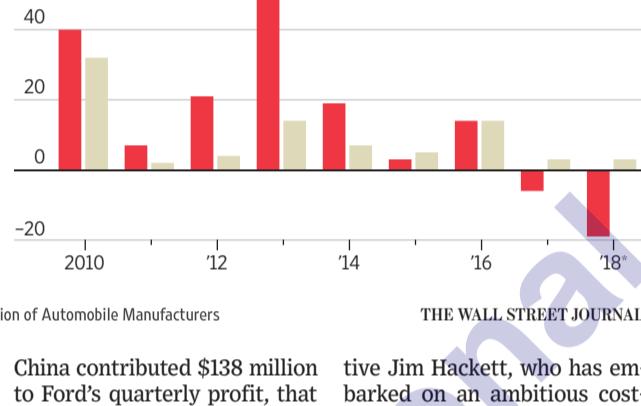
Oval Blues

Ford sales are dwindling in China, even though the market is growing.

Share of China's passenger-car market



Auto sales, change from a year earlier



between the U.S. and China are creating market uncertainty at a time when Ford is getting ready to spend even more in China, including a plan to ship Chinese-built Focus compact cars to the U.S. next year.

Ford executives say a barrage of new China-focused products—50 launches due by 2025—will spark a turnaround for the auto maker, but some local sales staff are dubious.

"There is a saying: 'Distant water cannot slake an immediate thirst,'" said Shang Yongwei, a Ford salesman in Dalian, in northern China. "Ford does not understand Chinese consumers, who love new things."

Ford was also the most complained-about auto maker in China last year, according to the China Consumers Association, logging 850 complaints for poor customer service and quality problems.

Tian Suoli, a construction manager in the Chinese city of Xi'an, said he had been a loyal Ford customer. But after spending \$1,600 to fix the cooling

system on his 2013 Ford Kuga SUV—and then failing to get a refund after Ford issued a recall for the same problem—he said he would never buy another Ford car.

A Ford spokesman said the company has made improvements on the quality front, pointing to Ford's rise in J.D. Power China's 2017 initial quality study to that 19th spot—up from 33rd the year before.

Ford launched its \$5 billion plan to expand in China under former CEO Alan Mulally. The move, billed at the time as Ford's largest industrial expansion in at least 50 years, was accompanied by a product blitz that added more models to Ford's Chinese lineup.

"We're at the absolute trough of our product cycle in China," said global-markets chief Jim Farley, during the company's first-quarter earnings call. "Over the next 24 months, we will completely revitalize our lineup."

—Fanfan Wang in Beijing contributed to this article.

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TECHNOLOGY

Dropbox Revenue Jumps by 28%

Big increase in customers paying for premium services fuels the growth

BY JAY GREENE

Dropbox Inc. added about half a million paying customers in the first quarter, helping the data-storage provider increase revenue by 28% in its first financial report as a publicly traded company.

While anyone can use Dropbox free, the company's growth is contingent on getting people to sign up for premium tools. At the end of the quarter, Dropbox had 11.5 million paying users, up about 24% from a year ago.

Dropbox said it had more than 500 million registered users of both its free and paid services.

That helped the San Francisco company increase the average revenue it generates from each paying user to \$114.30, up 3.2% from the first quarter of 2017.

Overall, Dropbox lost \$465.5 million, compared with \$331 million a year earlier, driven by a large increase in stock-based compensation following its March initial public offering.

Revenue grew to \$316.3 million from \$247.9 million. Adjusted earnings came to 8 cents a share.

Analysts surveyed by S&P Global Market Intelligence expected Dropbox to report \$309.2 million in revenue and adjusted earnings of 5 cents a

share.

The revenue gain was driven primarily by the higher number of people paying for premium tools, as well as an increase in how much revenue users generate on average.

That's a little bit more than the \$324.9 million expected by Wall Street analysts, according to Thomson Reuters. The company expects full-year revenue of \$1.34 billion to \$1.36 billion; analysts' estimate was for \$1.33 billion.

Dropbox raised \$756 million in its IPO, in addition to \$100 million that Salesforce.com Inc. invested in the company through a private placement just before its listing.

Dropbox shares sank more than 4% in after-hours trading, a pullback that comes after the stock surged 36% on its first day of trading and climbed in the weeks since. The stock finished regular trading Thursday at \$32, up 1.9%.

"There is a beat-and-raise already built in," D.A. David-

son & Co. analyst Rishi Jaluria said of the company's results and second-quarter guidance.

Like many tech firms that go public, the 11-year-old company has never turned an annual profit. While its losses have narrowed, Dropbox disclosed in its IPO filing that its revenue growth also has been slowing.

It faces stiff competition. In the consumer space, Dropbox battles Apple Inc. and Alphabet Inc.'s Google to provide storage for documents and photos.

That competition has pushed the company to sharpen its focus on providing storage and collaboration services for businesses, a growing market but one where Microsoft Corp. and Box Inc. already compete.

White House Vows AI Support

BY JOHN D. MCKINNON

WASHINGTON—White House officials promised to keep the U.S. in the lead on emerging artificial-intelligence technologies, despite competition from China and worries about potential impacts on American workers.

At a White House conference on artificial intelligence, Trump technology adviser Michael Kratsios pledged that the administration would make a priority of advancing artificial-intelligence research, through greater research funding and other steps.

"America has been the global leader in AI, and the Trump administration will ensure our great nation remains the global leader in AI," said Mr. Kratsios, deputy assistant to the president for technology policy, according to prepared text of a keynote speech.

In addition to increased federal funding, Mr. Kratsios raised the possibility that AI researchers might eventually gain expanded access to the government's network of national labs, and the government's "vast troves of taxpayer-funded data, in ways that don't compromise privacy or security."

Artificial intelligence is software that enables computers to emulate human intelligence, handling tasks such as recognizing and processing images or language in applications including autonomous driving.

Experts view AI technologies as a big potential growth area for U.S. businesses. But it has raised concerns about the potential for job losses and other harms.

AI also has emerged as one of the areas at the center of intensifying competition between the U.S. and China for global technology supremacy.

The administration hoped to strike a balance with the event, welcoming the benefits of artificial intelligence while also acknowledging potential political challenges.

Already, legislation to speed development of autonomous vehicles has run into opposition in Congress this year, in part over safety concerns.

Arvind Krishna, director of IBM Research, said one point of discussion was how to make AI more understandable, to build public confidence.

"It's really important that people trust AI, and for them to trust it, it has to be explainable," he said. "That resonated with a lot of the other folks."

Justin Kershaw, CIO of Cargill Inc., said, "I think some learning happened and some ideas were exchanged."



A Singtel service center in Singapore. A unit of the telecom company plans to pay about \$45 million for the assets of Videology.

NICKY LOH/BLOOMBERG NEWS

Ad-Tech Firm Seeks Bankruptcy

BY LARA O'REILLY

Advertising-technology company **Videology** has filed for chapter 11 in the U.S. Bankruptcy Court for the District of Delaware on Thursday. The filing states Videology has estimated liabilities of more than \$100 million. The filing lists the company's assets at \$86.5 million.

Amobee will be the so-called stalking horse, or lead bidder, which is designed to establish a floor price to encourage other potential bidders to submit higher offers, Videology said Thursday, confirming an earlier report in The Wall Street Journal. Amobee has agreed to pay about \$45 million for Videology's assets, said people familiar with

the matter.

Videology filed for chapter 11 in the U.S. Bankruptcy Court for the District of Delaware on Thursday. The filing states Videology has estimated liabilities of more than \$100 million. The filing lists the company's assets at \$86.5 million.

GroupM, the media-buying arm of **WPP PLC**, was listed as the creditor with the largest unsecured claim against Videology. Across various divisions, GroupM is owed more than \$35 million by Videology, according to the filing. GroupM also holds about 3% of Videology's shares.

Videology's founder and chief executive, Scott Ferber, said the transaction "represents the best path forward for Videology and is in the best interests of all our stakeholders." Singtel and Amobee declined to comment.

Videology secured significant funding several years ago thanks to its focus on video advertising and its bet that television advertising would become more digital and data-driven. But since then, the company has struggled to maintain revenue growth.

Ad-tech companies, once a hot attraction for investors, have been beset with turbulence in recent years in a digital advertising market dominated by Google and Facebook Inc. Some of the recent deals in the industry reflect those changing fortunes. Notably, Rocket Fuel, a public ad-tech company once valued at \$2 billion, was sold last year to rival Sizmek for \$125.5 million.

Videology last raised equity in 2013, funding that valued the closely held company at \$300 million, according to a person familiar with the matter. The company raised total venture funding of more than \$130 million and took out an \$80 million credit facility with FastPay and Tennenbaum Capital last year.

The company's investors include **Comcast Corp** and venture-capital firms **New Enterprise Associates** and **Valhalla Partners**, according to the bankruptcy filing.

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BUSINESS NEWS

Heart Device Procedure Fails to Ace Test

Increasingly common but costly technology proves no better than drug therapy in study

By PETER LOFTUS

An increasingly common cardiovascular procedure using a device made by several medical technology companies was no better than drug therapy at preventing deaths, strokes and certain other complications, a new study found.

The outcome of the trial raises questions about the procedure, known as catheter ablation, to treat patients with atrial fibrillation. The procedure, meant to stop abnormal electrical signals from causing irregular heartbeats, involves a doctor inserting a thin tube through a patient's blood vessels to deliver tiny scars to heart tissue.

Abbott Laboratories, John-

son & Johnson, Medtronic PLC and Boston Scientific Corp. make the device used in the procedure. Wells Fargo analysts estimate the global market for catheter-ablation equipment to treat atrial fibrillation has grown to about \$4.5 billion in annual revenue.

Researchers presented results of the trial Thursday at the annual scientific meeting of the Heart Rhythm Society in Boston. The researchers plan to publish the results in a peer-reviewed medical journal at a later date.

At least 2.7 million Americans have atrial fibrillation, which is a common cause of strokes. It can also be treated by anti-arrhythmic drugs including amiodarone, and some patients may take anticoagulant drugs like warfarin to reduce the risk of stroke.

The estimated cost of an ablation procedure in the U.S. was about \$21,300, according to a

2014 article in the cardiology journal *Arrhythmia & Electrophysiology Review*. The cash price of a month's supply of generic amiodarone is roughly \$60 a month, according to GoodRx.

For more than 15 years, doctors have increasingly turned to catheter ablation instead of drug therapy for some patients, but there hasn't been much evidence showing which approach is better.

Researchers started the study in 2009 to try to answer that question: The National Heart, Lung and Blood Institute provided funding along with the four device makers. It was led by researchers from the Mayo Clinic in Rochester, Minn., and the Duke Clinical Research Institute in Durham, N.C.

Researchers enrolled more than 2,200 patients at more than 100 sites in 10 countries, Douglas Packer, a principal investigator of the study and a Mayo cardiologist, said in an

interview.

About half the patients were assigned to receive drug therapy, and the other half the ablation procedure. The study found that five years after the start of treatment, there was no statistically significant difference be-

Rhythm Society.

Spokespeople for J&J, Abbott, Medtronic and Boston Scientific said elements of the study results support the use of ablation.

The study found some benefits for ablation on measures such as reducing the risk of recurrence of atrial fibrillation.

The adverse-event rates in both patient groups were relatively low. About 3.9% of the ablation patients had problems with catheter insertion, such as hematomas within the heart; about 1.6% of those receiving drugs experienced thyroid problems.

Dr. Packer acknowledged that on the study's main measures, ablation failed to show a benefit over drug therapy. But he said the outcome of the trial was confounded by the fact that about 100 patients assigned to receive ablation didn't get the procedure either because they didn't

want it or couldn't afford it. And some 300 patients who started the trial on drug therapy subsequently switched over to ablation. When adjusting the results to exclude those confounding factors, he said ablation did show a benefit over drug therapy.

"The quality of life, the benefit from freedom from recurrences was highly significant" with ablation, he said.

Some heart doctors called the study neutral. "I cannot imagine anyone would hail this as a study that shows ablation is superior to medical therapy," said Dr. Brian Oshansky, emeritus professor of cardiovascular medicine at University of Iowa Carver College of Medicine, who wasn't involved in the study.

Dr. Oshansky said he performs ablations primarily for the purpose of relieving patients' symptoms rather than to reduce risk of death or stroke.

Lilly to Acquire Cancer-Drug Firm

By AUSTEN HUFFORD

\$17 a share.

The company's leading drug candidate, called pegilodecakin, is designed to stimulate the survival, expansion and tumor-killing ability of a particular type of white blood cell in the body's immune system. The drug is currently being used in a late-stage clinical trial for treating patients with a type of pancreatic cancer. ARMO expects to evaluate progress of the study again in 2020, and the results could set the stage for an application to the U.S. Food and Drug Administration.

Lilly said it would continue to pursue drugs that use the body's immune system to treat cancers. In August, Gilead Sciences Inc. bought Kite Pharma Inc. for about \$11.2 billion in an immunotherapy cancer bet.



Eli Lilly said it reached a \$1.6 billion deal for ARMO BioSciences, which is a developer of immunotherapy cancer treatments.

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BUSINESS NEWS



From left, Alex Molinaroli (Johnson Controls International), Margaret Georgiadis (Mattel), Hunter Harrison (CSX) and Stephen Wynn (Wynn Resorts).

News Corp Revenue Rose 6% In Quarter

By LUKAS I. ALPERT

News Corp posted a 6% gain in revenue for the March quarter, driven by strong results at its digital-real-estate and book-publishing units and the positive impact of foreign-currency fluctuations.

At the company's news and information-services business, which accounts for just under two-thirds of its top line, revenue rose 2% compared with the year-earlier quarter.

Total revenue in the latest period was \$2.1 billion. The company reported a net loss of \$1.1 billion, or \$1.94 a share, because of noncash write-downs related to its TV assets in Australia and a noncash impairment charge related to its in-store coupon and advertising business, News America Marketing.

Excluding such special items, adjusted earnings were 6 cents a share, in line with expectations from analysts polled by Thomson Reuters. Revenue exceeded the forecast of \$1.99 billion.

On an earnings call, News Corp Chief Executive Robert Thomson called for the creation of an "Algorithm Review Board" to oversee tech giants and provide a check on their increasing power. He has been critical of **Facebook** Inc. and **Alphabet** Inc.'s Google, saying they have too much influence over the news and information consumers see and offer little insight into the workings of their platforms.

The digital-real-estate business posted a 27% increase in revenue to \$279 million. Earnings before interest, taxes, depreciation and amortization rose 17% in the division.

Revenue in News Corp's book-publishing segment rose 6% to \$398 million.

News Corp publishes The Wall Street Journal, New York Post and newspapers in the U.K. and Australia. Revenue at the news and information-services business was \$1.29 billion, up from \$1.26 billion.

Advertising revenue for the entire news unit fell 3%, while circulation and subscription revenue increased 7%.

Circulation revenue gains were boosted by a 10% increase at Dow Jones, publisher of the Journal, which added 101,000 digital subscribers in the quarter. At the end of March, the Journal had 1.49 million digital subscribers.

Many Top-Paid CEOs Have Left

Eight of 20 highest-paid S&P 500 chief executives of 2017 are no longer on the job

By THEO FRANCIS

Many of 2017's best-paid chief executives aren't CEOs anymore. One died; some left after boardroom conflicts or deteriorating corporate financial performance. Others stepped down in recent weeks.

Of the 20 highest-paid S&P 500 chief executives of 2017, eight are no longer on the job. Each took home at least \$30 million in total compensation, including stock grants and cash bonuses that were awarded for the year. That's more than double the 2017 median pay for an S&P 500 boss.

Hunter Harrison, who died in December while at the helm of railroad **CSX** Corp., officially was paid \$151 million in compensation for the year—catapulting him past **Broadcom** Ltd.'s Hock Tan, the highest-paid full-year CEO at \$103 million.

Mr. Harrison's pay figure includes \$116 million in stock options that expired, worthless, upon his death. The remaining pay of \$35 million still left him at No. 13 among all CEOs in the Journal's 2017 pay survey.

A CSX spokesman noted CSX paid about \$29 million under an agreement with

Mantle Ridge, an activist investment firm that had promised to pay Mr. Harrison for compensation left behind at his prior job. CSX also reimbursed Mantle Ridge for an earlier \$55 million payment to Mr. Harrison, who was 73 when he died, but excluded it from his pay calculation under SEC rules.

CSX's total return for the year was 55.4%, a figure that takes into account dividends as well as stock appreciation. This outstripped the median return of 18.7% for S&P 500 companies run by full-year CEOs.

Alex Molinaroli took home \$78.3 million for leading **Johnson Controls International** PLC for the first eight months of last year. Mr. Molinaroli left the industrial company on Sept. 1 following disappointing results, after a merger with Tyco International PLC. Johnson Controls posted a total shareholder return of negative 0.9% for its full fiscal year, which ended Sept. 30.

About \$64 million of Mr. Molinaroli's pay was cash severance and other payments after the company named his successor earlier than planned, according to the company's proxy. A Johnson Controls spokesman declined to comment further.

The 58-year-old had been CEO since 2013, and there had been questions about his pay package before. In 2016, Johnson Controls paid Mr. Molin-

Out of Office

Eight of the 20 highest-paid CEOs in 2017 no longer hold the title.

CEO (COMPANY)	2017 PAY
Hunter Harrison* (CSX)	\$151,100,000
Hock Tan (Broadcom)	\$103,000,000
Alex Molinaroli (Johnson Controls)	\$78,300,000
Les Moonves (CBS)	\$76,000,000
Andrew Liveris (DowDuPont)	\$64,000,000
Nick Howley (TransDigm)	\$60,000,000
Thomas Dooley (Viacom)	\$58,000,000
Jeff Bewkes (Time Warner)	\$55,000,000
Stephen Kaufer (TripAdvisor)	\$52,000,000
Brian Duperreault (AIG)	\$50,000,000
David Zaslav (Discovery)	\$48,000,000
Ari Bousbib (Iqvia Holdings)	\$46,000,000
Robert Iger (Walt Disney)	\$44,000,000
Stephen Wynn (Wynn Resorts)	\$42,000,000
Martin Craighead (Baker Hughes)	\$40,000,000
Brenton Saunders (Allergan)	\$38,000,000
Brian Roberts (Comcast)	\$36,000,000
Margaret Georgiadis (Mattel)	\$34,000,000
Indra Nooyi (PepsiCo)	\$32,000,000
Mark Okerstrom (Expedia)	\$30,000,000

*Deceased
Sources: MyLogIQ (pay); the companies (dates)

aroli \$46 million in a single month, and didn't disclose what he made for the remainder of that year.

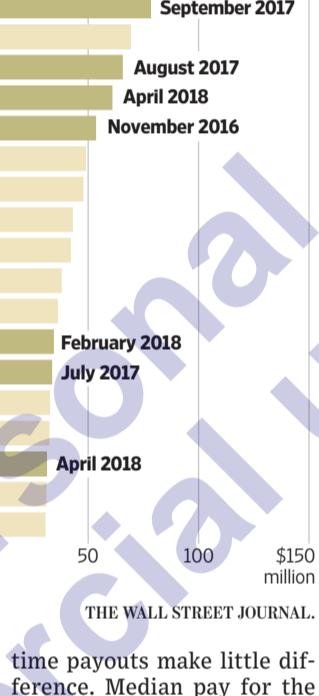
The Journal's annual ranking of CEO pay generally excludes newly hired CEOs and those who left during the year. New and departing CEOs often receive big one-time payments to secure their hire or a quiet departure.

In aggregate, these one-

highest-paid woman overall in 2017, at \$31.3 million. Ms. Georgiadis joined the maker of Barbie dolls in February 2017 and was unable to reverse a sales slump. In April, the company said she was leaving and would be succeeded by a board member. Mattel shareholder return in 2017 was minus 42%.

Ms. Georgiadis's compensation included \$14 million in restricted stock to replace equity she left behind at Google, where she had been an executive, as well as \$11 million in equity grants described as new hire inducements. Mattel said Ms. Georgiadis wasn't entitled to severance on her departure. She became CEO of Ancestry, which provides DNA tests and the ancestry.com genealogy website, on Thursday.

Other top-paid CEOs are also no longer in office: Stephen Wynn, the founder of **Wynn Resorts** Ltd., who made \$34.5 million before resigning this past February after allegations of sexual misconduct, and former Dow Chemical CEO Andrew Liveris, at \$65.7 million, who ran Dow until its Aug. 31 merger with **DuPont** and served as executive chairman of the combined DowDuPont Inc. through April 1. The company said that, absent the payout of benefits earned during his time at Dow, Mr. Liveris would have made about \$22 million. A representative for Mr. Wynn didn't respond to a request to comment.



time payouts make little difference. Median pay for the 410 full-year CEOs in the Journal's survey rose to \$12.1 million in 2017 from \$11.5 million. Including an additional 81 new and departing chiefs shifted the 2017 median slightly to \$12 million, up from \$11.2 million.

Margaret Georgiadis, who served about a year as CEO of toy maker **Mattel** Inc., was the

PPG Fires Its Controller, Delays Earnings Report

BY ANDREW TANGEL AND AUSTEN HUFFORD

PPG Industries Inc. on Thursday said it fired its controller and has delayed filing its quarterly earnings report amid an internal investigation of accounting irregularities at the paint giant.

Pittsburgh-based PPG, one of the world's largest paint and coatings makers, said it had evidence that some of its employees had made improper accounting entries at the direction of the company's now-former controller.

As a result, PPG said its financial reports for 2017 "should no longer be relied upon."

PPG said the controller, Mark Kelly, was placed on administrative leave in late April and terminated as of Thursday.

The company has appointed William Schaupp to serve as assistant controller and acting controller until a replacement for Mr. Kelly is named. Two employees who acted under the former controller's direction were reassigned to different positions within the company, away from internal control positions.

Mr. Kelly couldn't be immediately reached to comment.

Shares of PPG fell 2.9% in post-market trading.

"At PPG, we hold ourselves to a very high standard of business and professional conduct," a company spokesman said. "The company is working diligently to complete its investigation, but is currently unable to predict the timing or outcome of the investigation."

PPG said it had reported

Kepner-Tregoe Veteran Leader Bill Baldwin Steps into CEO Role to Lead Organization into Next Era



Kepner-Tregoe Veteran Leader Bill Baldwin Steps into CEO Role to Lead Organization into Next Era

In conjunction with the firm's 60th anniversary milestone, Kepner-Tregoe, a global management consulting firm focused on operational excellence, IT service management and training, has promoted veteran Chief Operating Officer Bill Baldwin to Chief Executive Officer.



kepner-tregoe.com

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NOTICE OF PUBLIC SALE

Please take notice that Dock Street Capital Management LLC (the "Liquidation Agent"), on behalf of U.S. Bank National Association in its capacity as indenture trustee (in such capacity, the "Trustee"), will be conducting a public sale of certain collateral pledged by an issuer to the Trustee for certain collateralized debt obligations at the offices of the Liquidation Agent: 575 Riverside Avenue, Westport, Connecticut 06880. The sale will occur on the date and time indicated below. The collateral to be sold at the sale consists of the following assets (the "Assets"):

Public Sale #1: Wednesday, May 16, 2018, 10:00 a.m. EDT

The Asset Type for all Lots is: RMBS

Lot # CUSIP Issue Name Original Face Current Par Value

1 032027SHJ7 ABSSER 2003 AR3 CL M4 5,000,000 \$4,611,150.15

2 07384YOP4 CMOSER 2004 AC1 CL B 4,872,772 206,761.10

3 07384YQH9 CMOSER 2004 AC1 CL M2 2,177,000 92,374.29

4 07384YU11 CMOSER 2003 AC3 CL M2 6,000,000 104,954.09

5 225410G97 ABSSER 2003 6 CL M2 2,000,000 28,138.94

6 45254NDW4 CMOSER 2003 1 CL 1B1 6,000,000 27,937.24

7 45254NEE3 CMOSER 2003 4 CL B1 6,000,000 11,947.57

8 66987VH62 ABSSER 2003 4 CL M2 4,000,000 19,985.07

9 760985B42 ABSSER 2003 R59 CL MII2 500,000 6,583.08

10 86359BHL8 CMOSER 2004 4X5 CL AS1 2,500,000 736,798.08

11 881851HE7 ABSSER 2004 6 CL B1 6,600,000 342,927.08

Public Sale #2: Wednesday, May 16, 2018, 2:00 p.m. EDT

The Asset Type for all Lots is: RMBS

Lot # CUSIP Issue Name Original Face Current Par Value

1 040104QW4 ABSSER 2004 W5 CL M7 5,000,000 \$0

2 040104E00 ABSSER 2003 W10 CL M5 1,000,000 \$0

3 040104C02 CMOSER 2003 W7 CL M5 2,000,000 \$0

4 040104ER8 ABSSER 2003 W10 CL M6 5,000,000 \$0

5 07384YK26 ABSSER 2006 SL3 CL B3 2,525,000 \$0

6 07384YK27 ABSSER 2006 SL2 CL B3 3,000,000 \$0

7 07384YK28 ABSSER 2006 SL2 CL B3 3,214,000 \$0

8 124552TA12 ABSSER 2007 FRE1 CL M7 2,925,000 \$0

9 12506YBH1 ABSSER 2003 HE2 CL B1 6,000,000 \$0

10 17312EAL0 ABSSER 2007 AM3 CL M6 9,000,000 \$0

11 126684A25 CMOSER 2005 AR1 CL M7 2,435,000 \$0

12 32027NEM7 ABSSER 2003 FFH4 CL M5 2,000,000 \$0

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24739.53 ▲ 196.99, or 0.80%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.35 20.40
 P/E estimate * 16.02 17.78
 Dividend yield 2.16 2.42
 All-time high 26616.71, 01/26/18

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
		Jan'19	2,980	3,045	2,961	3,047	.062	94,395
		March	2,832	2,896	2,821	2,898	.057	90,298

Copper-High (CME)-25,000 lbs.; \$ per lb.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 3,0430 3,0940 3,0430 3,0925 0.0530 2,320								
July 3,0610 3,1180 3,0520 3,1100 0.0525 138,771								
Gold (CME)-100 troy oz.; \$ per troy oz.								
May 1312.20 1318.00 1312.20 1320.80 9.50 268								
June 1312.80 1323.40 1310.60 1322.30 9.30 273,166								
Aug 1319.10 1329.50 1317.00 1328.60 9.30 135,311								
Oct 1326.50 1335.00 1324.00 1334.80 9.20 9,557								
Dec 1331.30 1342.00 1330.60 1341.30 9.30 61,308								
Dec'19 1373.20 1376.70 1372.70 1380.80 9.10 3,777								
Palladium (NYM)-50 troy oz.; \$ per troy oz.								
May ... ▲ ... 996.10 23.30								
June 969.50 997.50 968.80 993.90 23.30 15,212								
Sept 968.60 994.00 966.70 990.70 23.20 7,158								
Platinum (NYM)-50 troy oz.; \$ per troy oz.								
May 898.20 898.20 898.20 920.50 8.90 5								
July 915.20 929.20 914.40 925.10 8.50 73,397								
Silver (CMX)-5,000 troy oz.; \$ per troy oz.								
May 16,460 16,685 16,455 16,680 0.222 448								
July 16,520 16,790 16,500 16,759 0.220 139,250								
Crude Oil, Light Sweet (NYM)-1,000 bbls.; \$ per bbl.								
June 71.27 71.89 ▲ 70.56 71.36 0.22 369,384								
July 71.18 71.80 ▲ 70.50 71.31 0.26 389,230								
Aug 70.86 71.51 ▲ 70.24 71.07 0.32 190,192								
Sept 70.34 71.02 ▲ 69.79 70.63 0.36 230,422								
Dec 68.80 69.40 ▲ 68.27 69.20 0.49 303,649								
Dec'19 61.80 62.48 ▲ 61.61 62.35 0.49 156,830								
NY Harbor UlSD (NYM)-42,000 gal.; \$ per gal.								
June 2,2195 2,2339 ▲ 2,1926 2,2228 0.008 103,391								
July 2,2117 2,2267 ▲ 2,1877 2,2176 0.006 106,966								
Gasoline-NY RBOB (NYM)-42,000 gal.; \$ per gal.								
June 2,1692 2,1937 ▲ 2,1597 2,1890 0.021 128,332								
July 2,1684 2,1904 ▲ 2,1585 2,1870 0.019 111,717								
Natural Gas (NYM)-10,000 MMBtu; \$ per MMBtu.								
June 2,737 2,820 2,709 2,814 0.07 185,169								
July 2,759 2,833 2,732 2,828 0.068 244,391								
Sept 2,753 2,824 2,729 2,822 0.067 147,082								
Oct 2,761 2,830 2,738 2,829 0.067 134,108								

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Jan'19	2,980	3,045	2,961	3,047	.062	94,395	
	March	2,832	2,896	2,821	2,898	.057	90,298	

Agriculture Futures

Corn (CBT)-5,000 bu.; cents per bu.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 395.50 399.75 393.25 394.75 ... 1,126								
July 403.00 407.00 400.00 402.00 -75 818,924								

Oats (CBT)-5,000 bu.; cents per bu.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 232.00 3.25 5								
July 403.00 407.00 400.00 402.00 -75 818,924								

Soybeans (CBT)-5,000 bu.; cents per bu.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 1008.00 1018.00 1007.25 1013.25 6.00 444								
July 1017.50 1020.45 1014.25 1021.25 5.50 416,564								

Soybean Meal (CBT)-100 tons; \$ per ton.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 391.80 393.20 388.00 390.50 1.30 271								
July 386.90 391.90 383.90 386.10 .30 242,392								

Soybean Oil (CBT)-60,000 lbs.; cents per lb.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 30.90 31.00 30.80 30.98 .11 414								
July 31.06 31.16 30.90 31.13 .10 267,918								

Rough Rice (CBT)-2,000 cwt.; \$ per cwt.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
May 1244.50 1245.00 1234.00 1235.50 -9.50 26								
July 1267.00 1272.00 1250.00 1252.50 -14.50 6,137								

Wheat (CBT)-5,000 bu.; cents per bu.	Contract	Open	High	hilo	Low	Settle	Chg	Open interest

<tbl_r cells="9" ix="

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

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 10, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.04 0.18

ADT ADT 7.92 0.10

AES AES 12.31 0.24

Affac AFL 45.36 0.50

AGNC Inv AGNC 19.01 0.21

AMGAM Homes AMGAM 14.18 0.15

Ansys ANSS 17.23 0.81

ASML ASML 20.07 1.32

AT&T T 31.88 0.48

AbbottLabs ABT 102.85 1.67

AbbVie ABV 102.85 1.67

Abiomed ABMD 368.88 10.72

Accenture ACN 156.54 1.92

ActivisionBlitz ATVI 72.90 1.59

AdvadevSystems ADEB 241.18 1.41

AdvanceAuto AAP 118.22 1.24

AdvMicroDevices ADM 12.13 0.18

Aegon AEG 6.91 0.24

AerCap AER 55.54 0.17

AffiliatedMngs AMG 164.70 1.17

AgilentTechs AEG 68.87 0.34

AgipcoEagle AMG 44.66 1.03

AirProducts APD 165.59 0.73

AkamaiTech AKAM 76.36 0.94

AlaskaAir ALK 60.56 0.19

Albermarle ALB 98.39 3.36

Alcoa AA 53.79 0.00

AlexandriaReSt ARB 129.36 0.48

AlianzaPharm ALXN 116.13 0.64

Alibaba BABA 195.96 0.53

AlignTech ALIGN 27.73 0.73

Alkermete ALKS 45.79 1.09

Alleghany Y 579.75 2.63

Allegion ALLIE 77.31 1.03

Almarai ALM 151.91 5.63

AllianceData ADS 204.07 2.79

AlintaEnergy LIN 41.74 0.48

AllisonTrans ASLN 41.96 0.00

Allstate AFL 96.10 0.33

AllyFinancial ALLY 27.34 0.24

AlynkPharm ALYK 98.28 1.19

Alpharetta COOG 107.97 14.81

Alpharetta A GOOG 110.67 16.52

Altair AABA 75.90 0.03

AlticeUSA ATSL 18.11 0.30

Altia MU 56.04 0.12

AlumofChina AC 14.06 0.12

Amazoncom AMZN 169.08 0.00

Ambev ABEV 6.10 0.06

Amdocs DOX 68.12 0.21

Amgen AMGN 177.07 14.31

AmherstTech AER 45.36 0.43

AmicoCorp AMSC 6.99 0.66

AmericoldRealty COLD 22.06 0.33

AnadarkoPetrol APC 68.85 1.14

AppFolio APPF 57.50 0.40

Appium APP 67.07 0.25

Apprentix EXP 10.13 0.88

ArmenTechs ARGN 74.69 0.11

ArmentaResources ARTR 10.97 0.21

ArtemisNetworks ARNT 22.67 3.90

Aruba Networks ARUB 189.18 5.53

ArvaloPowers AVPL 41.34 0.34

Arptainment AVPL 41.08 0.14

ApplGlobal MNGT 30.56 0.26

ApplGlobalMngt APO 140.94 2.68

AppMaterials AMAT 55.53 1.40

Apptargroup ATR 93.79 0.83

Arctechs CAG 35.10 0.70

Arcongabrands CAG 37.76 0.09

Footnotes:

i-New 52-week high.

j-New 52-week low.

dd-Indicates loss in the most recent four quarters.

FD-First day of trading.

H-Does not meet continued listing standards.

If-Late filing.

q-Temporary exemption from Nasdaq requirements.

t-NYSE bankruptcy.

v-Trading halted on primary market.

wj-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

y-Trading suspended.

z-Previous closing price was \$2 or higher.

Net: Net change in the closing price from the previous day.

Changes in the closing prices from 4 p.m. the previous day.

Dates in parentheses indicate the date of the latest change.

Symbol: Composite symbol for all exchanges.

Net: Composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Highs/Lows: Highs and lows for the past 52 weeks.

52-Wk %: Percentage change from the previous trading session.

% CHG: Daily percentage change from the previous trading session.

Stock: Security.

Sym: Symbol.

Close: Closing price.

Chg: Change in price.

% Chg: Percentage change in price.

Hi: High price.

Lo: Low price.

52-Wk %: Percentage change from the previous trading session.

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% Chg: Daily percentage change from the previous trading session.

Stock: Security.

Sym: Symbol.

Close: Closing price.

BANKING & FINANCE

Blackstone Goes Back to the Well

By LUIS GARCIA
AND DAWN LIM

Blackstone Group LP is capitalizing on rebounding crude prices and tighter financial discipline among oil companies as it raises money for its latest energy fund.

The largest global private-equity firm by assets is planning to close this quarter on more than half of the roughly \$4.5 billion it seeks for its third energy fund, according to a person familiar with the matter. The New York firm is launching the fund three years after it sealed \$4.5 billion for its previous energy fund, according to people familiar with the situation.

Bloomberg News previously reported on the fund's target.

Private-equity firms see new opportunities emerging as publicly traded oil-and-gas producers come under pressure from investors to focus more on returns on capital than on production growth. Private-equity firms are stepping in as capital providers to the industry while demand for oil is expected to increase.

When Blackstone finished raising its last energy fund in 2015, plummeting oil prices shook the oil-and-gas industry, generating bargains for private-equity firms. Now, with U.S. oil prices trading above \$71 a barrel for the first time since 2014, those bargains will be harder to find.

The prospect of investment opportunities in oil production has already led to a capital glut. U.S. private-equity firms raised a total of \$24.7 billion across 32 energy-focused funds last year, up from \$17.3 billion and 38 funds in 2016, according to data provider



The private-equity firm is in the process of raising about \$4.5 billion for its third energy-focused fund.

Preqin Ltd. Other large private-equity firms amassing capital to make energy bets include **Energy Capital Partners**, which has been targeting \$6 billion for its latest fund, and **Quantum Energy Partners**, which is seeking \$5.25 billion.

After oil prices started sliding in mid-2014, Blackstone swooped in to buy assets on the cheap. The firm invested \$3 billion in energy in 2016 "just as prices bottomed," Blackstone President Jonathan Gray said in an April media call. As of March, Blackstone Energy Partners II LP was generating a 13% internal rate of return, the firm disclosed in

its first-quarter results.

Energy investments helped drive growth in Blackstone's private-equity portfolio in the last quarter, even as stocks fell during a volatile period in the market. Executive Vice Chairman Hamilton "Tony" James said in the April call that "it didn't hurt to have energy, oil prices up a lot."

As crude prices rise, Blackstone will continue to lean on a mandate to invest in different regions and sectors to seek out the most attractive opportunities, a person familiar with the matter said.

Blackstone's private-equity energy team, led by Senior Managing Director David Fo-

ley, invests globally across different sectors, including upstream, midstream, oil-field services, and renewable power.

The firm plans to use its energy platform to back another gas-power project in Mexico, the person said. Fisterra Energy, in which Blackstone is a majority owner, last year invested in the Tierra Mojada gas-power plant in Guadalajara alongside the private-equity firm.

Blackstone also expects to have more opportunities to invest in or along with public-energy companies as they find it harder to raise capital in the stock market, the person said. In October, Blackstone agreed

to buy a joint-venture interest in **Targa Resources** Corp.'s Grand Prix natural-gas pipeline, which runs from the Permian Basin to Mont Belvieu, Texas.

With public exploration-and-production companies less willing to spend money on assets that don't generate significant cash flows at the outset, private-equity-backed companies can drill more wells that would make their assets more attractive to these buyers. This will make the sector a more capital-intensive play, with private-equity firms likely needing to hold and develop assets longer to meet return objectives.

FINANCE WATCH

STREET

Continued from page B1 with the average holding period now less than 12 months, while activists—often derided as short-term plunderers—take on almost one in 10 U.S. companies each year. Short-termism rules Wall Street.

The consequence of short-term shareholders isn't necessarily short-term managers, as **Amazon.com Inc.** shows. Short-term trading is much the same in Amazon shares as anywhere else: In the past 50 days, the equivalent of 60% of its shares have turned over. Yet Amazon is in for the long haul, spending heavily on both capital projects and research and development, while earnings are unusually low for such a big company. Founder Jeff Bezos told investors in 1997 that "it's all about the long term," and the company has had the biggest increase in market value of any business since then.

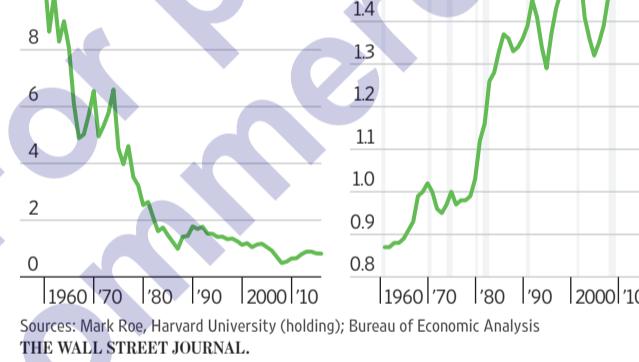
We can go beyond anecdotes. Harvard Law School professor Mark Roe points out in a coming paper that there should be three effects, if short-termism really has spread from Wall Street to management. R&D should be lower, because it has costs today for uncertain benefits in the future; business investment should fall faster in the U.S. than countries less reliant on stock exchanges; and corporate cash should be lower as shareholders demand it back via buybacks and dividends.

None has happened. R&D spending by S&P 500 compa-

Conflicting Signals

Short-termism has become the norm in stock holding, but companies are more willing to spend on R&D for the long term.

Average holding period for NYSE stocks



Sources: Mark Roe, Harvard University (holding); Bureau of Economic Analysis

THE WALL STREET JOURNAL.

nies is at the highest proportion of sales since at least 1990, according to Goldman Sachs. Business R&D is the highest proportion of gross domestic product since the government started tracking it in 1959. If short-termism is a problem, it isn't hurting overall R&D spending.

There are issues, but they are more about which sectors are currently in vogue. Shareholders tend to trust certain companies to spend on R&D, notably in the technology and biotechnology sectors. Traditional pharmaceutical and manufacturing businesses are often punished for R&D spending, after a history of waste, and some have resorted to financial engineering to maintain R&D while appeasing shareholders.

Business investment is a different matter. Capital spending has dropped as a share of sales and GDP over many years, but it has

dropped in Germany and Japan, too, countries notable for not being sensitive to shareholder desires. The broad pattern of falling corporate capital spending is mirrored across industrialized countries and has many causes, including China's overinvestment and spare capacity after the 2008 recession.

The surge in share buybacks is often held up as short-termism writ large. But companies by and large aren't buying back stock with cash that could instead be invested for the future. They are borrowing to pay for the buybacks, taking advantage of low interest rates, and aren't deprived of cash as a result.

My concern isn't about short-termism, but rather that companies are betting on rates staying relatively low, and their extra leverage leaves shareholders more exposed to an unexpected rise

in financing costs or fall in cash earnings. It isn't that shareholders are being too short term in their views, but that they are ignoring low-probability, high-impact possibilities.

If anything, history suggests that smart investors should be less tolerant of capital spending by companies. One of the biggest dangers for investors, and occasionally for the wider economy, has come from allowing management to splurge on long-term projects: the South Sea bubble, the Railway Mania, Japan in the 1980s, the dot-com bubble, and the 2010-2012 mining excess. Academics have shown that on average companies that invest a lot have underperformed (the opposite applies to R&D). When a sector is in fashion, beware.

None of this is meant to justify a focus only on the short term. For some companies, quarterly earnings figures are all but meaningless, while for other companies they are vital to assessing their health. Part of the skill of investing is knowing which is which.

First-quarter results aren't yet all in, but Credit Suisse predicts more than half the increased capital spending will come from the tech sector, with Amazon—classified as a retailer—on top of that. Investors should be thinking about whether the long-run benefits will justify all that sunk cost and what might flow from the big rise in tech R&D.

What they should not be doing is worrying that the economy as a whole is suffering from CEOs pushed by investors to focus only on the next quarter. The evidence shows it isn't.

CFPB to Prioritize Business Costs

By LALITA CLOZEL

WASHINGTON—Mick Mulvaney has tightened his control of the Consumer Financial Protection Bureau with a reorganization that will place more emphasis on evaluating the economic cost of the agency's actions and bring more of its operations under direct supervision of his handpicked staff.

In a memo to CFPB staff sent Wednesday, the Trump-appointed acting director said he would create an "office of cost benefit analysis" reporting to the director that will help direct the bureau's supervision and enforcement priorities. Businesses and Republicans have pushed for years for cost reviews of regulations and enforcement, arguing some government actions are too costly to businesses or the economy.

The CFPB said it had "no additional information at this time" on the cost-benefit office.

Mr. Mulvaney also formalized the placement of several aides he hired to be his eyes and ears across the bureau in the note, which was reviewed by The Wall Street Journal. They include Brian Johnson and Kirsten Sutton, who previously worked for the House Financial Services Committee's chairman, Jeb Hensarling (R., Texas), a longtime critic of the CFPB. Mr. Johnson "is serving as my final stop on all things policy related," Mr. Mulvaney said in the memo, and Ms. Sutton "is serving as my lead on management issues."

One change on student-loan oversight, also announced in the memo, drew immediate criticism from consumer advocates and some Democrats. Mr. Mulvaney dismantled a group that helped direct the agency's actions against predatory student loan debt-collection practices, folding it into the office of financial education.

The student-loan move was a "very modest organizational chart change" that indicates "no functional or even practical change," CFPB spokesman John Czwartacki said.

Consumer advocates said they are worried the student-

Mulvaney, revamping the agency, plans to create an 'office of cost benefit analysis.'

loan group will now be limited to a public-education role, effectively defanging it.

Another move was the return of Thomas Pahl, a former CFPB employee who also spent years at the Federal Trade Commission, most recently as its acting head of its consumer-protection division. Mr. Pahl is heading the CFPB's office focused on economic research.

Consumer advocates also are opposed to the economic and cost-benefits changes. It is "a thinly veiled effort to hype up the cost of regulation and politicize the research and data function," said Lauren Saunders, a lawyer at the National Consumer Law Center.

Under the 2010 Dodd-Frank financial law, the CFPB is already required to perform cost-benefit evaluations of its rules, but such calculations aren't obligatory in enforcement decisions, including lawsuits or fines.

—Michelle Hackman contributed to this article.

RBS Sets \$4.9 Billion Pact on Mortgage Securities

By MAX COLCHESTER

LONDON—Royal Bank of Scotland Group PLC has agreed to pay \$4.9 billion to settle with the Justice Department over the sale of toxic mortgage-backed securities in the lead-up to the global financial crisis, clearing the path for the bank's privatization.

The U.K. government-controlled bank said it reached a civil settlement in principle with the Justice Department to end the long-running probe into the matter. The bank has already set aside funds to cover the bulk of the settle-

ment but said it would book an additional \$1.44 billion charge in its second-quarter results. The deal is at the low end of what analysts had expected RBS to pay. RBS shares rose 3.8% in London Thursday.

The Scottish bank has been awaiting clarity on a payout to the Justice Department so the U.K. government can keep unloading its RBS shares. "Removing the uncertainty over the scale of this settlement means that the investment case for this bank is much clearer," Chief Executive Ross McEwan said.

"Further details remain to

be negotiated, however, before a formal agreement can be reached," the U.S. Attorney's Office in Massachusetts said. The final details of the deal are expected in the coming weeks.

RBS is still making its way through the final stages of a decadelong turnaround plan, which shrunk it to a U.K.-focused corporate and retail business from the world's largest bank by assets. Analysts have been waiting for a settlement to get a sense of when the lender would be in a position to pay dividends again. With around £4 billion (\$5.42 billion) of excess capital after

the payout to U.S. authorities, investors hope regulators will give the green light for dividends after balance-sheet stress tests later this year.

The full return of RBS to private hands, however, will take years. The U.K. government has previously signaled that it wants to unload a £3 billion stake by March 2019. The U.K. Treasury, which controls the sale of the stake, is also evaluating whether to slowly drip-feed shares into the market, a tactic used to dispose part of its investment in **Lloyds Banking Group PLC**, according to a person familiar

with the matter.

Some analysts predicted a payout of as much as \$11 billion. RBS is the second bank to settle historic mortgage-backed issues under the Trump administration. Earlier this year, British bank **Barclays PLC** agreed to pay \$2 billion in civil penalties to resolve similar Justice claims. That was nearly half what U.S. authorities had asked the bank to pay a year earlier.

Mr. McEwan said it was up to the Justice Department to decide whether to press criminal charges against former traders at the bank.

PRECIOUS METALS

Gold Gets Lift From Falling Dollar

Gold prices climbed with the dollar sliding after data showed U.S. consumer prices rose less than expected in April, though on an annual basis, inflation showed signs of firming.

Front-month gold for May delivery rose 0.7% to \$1,320.80 a troy ounce on the Comex division of the New York Mercantile Exchange to snap a three-session losing streak. Prices have stayed between about \$1,305 and \$1,360 this year, moving within that range based on haven demand, swings in the dollar, and worries about higher interest rates.

The dollar rallying to its highest levels of the year has hurt gold recently by making the dollar-denominated commodity more expensive for overseas buyers. But on Thursday, the WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, declined.

Among base metals, front-month copper for May delivery climbed 1.7% to \$3.0925 a pound, also climbing for the first time this week. Prices have fallen 5.7% this year, hurt by worries of an economic slowdown in China and steady supplies.

—Amrith Ramkumar and David Hodari

MARKETS

U.S. Stocks Rise as Inflation Fears Ebb

Blue chips extend rally to a sixth session as consumer-price data is lower than expected

BY MICHAEL WURSTHORN
AND RIVA GOLD

U.S. stocks rose Thursday and market volatility continued to fade as fears of runaway inflation abated to help the Dow Jones Industrial Average climb for a sixth consecutive session.

The Dow rose nearly 200 points to notch its longest winning streak since February after investors got another sign that inflation rates may be rising, but not so rapidly that the Federal Reserve would have to take aggressive actions to keep the economy from overheating.

Meanwhile, the volatility that rocked the stock market this year and sent major indexes into correction territory has gradually faded, giving some money managers hope that stocks are gaining upward momentum.

A key measure of expected market swings, the Cboe Volatility Index, or VIX, has fallen for six trading sessions in a row, settling near levels that were last seen in early January, when stocks were in so-called melt-up mode following the passage of Republicans' tax overhaul.

Shares of technology stocks, one of Wall Street's most popular trades, also have been gaining traction since Facebook's data mishap was revealed in March, giving investors a shot of confidence. Apple has added 15% so far this month, while Facebook and Google parent Alphabet have risen more than 7%.

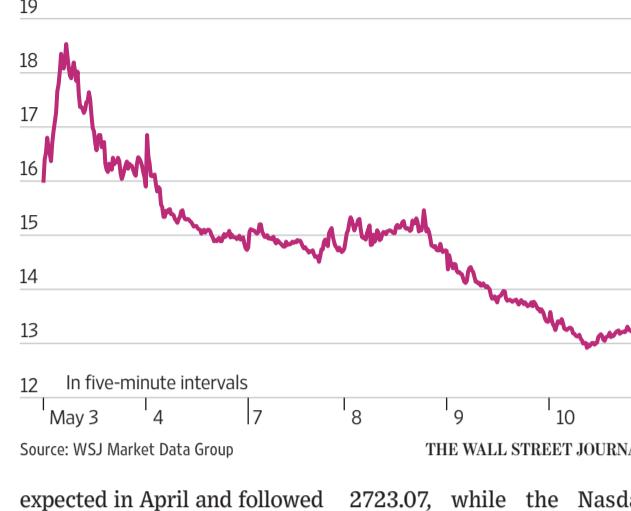
"We're settling in a little bit as the leadership in the market has improved," said Mark Lehmann, president of JMP Securities.

Apple's massive gain since it reported strong earnings and disclosed plans to buy back an additional \$100 billion in shares has given some investors "real optimism about the future," he added.

Labor Department data released before the market's open Thursday indicated U.S. consumer prices rose less than

Fading Fear

Wall Street's measure of expected market swings, the Cboe's Volatility Index, or VIX, has gradually fallen to its lowest level since January.



expected in April and followed last Friday's employment report that showed wage growth remains sluggish, alleviating some recent worries and removing a major hurdle for the Dow and other indexes to move higher.

The Dow industrials added 196.99 points, or 0.8%, to 24739.53 to extend its climb since May 3. The S&P 500 rose 25.28 points, or 0.9%, to

2%, to 233.71.

Meanwhile, the weak consumer-pricing data put pressure on the dollar. The WSJ Dollar Index slipped 0.5%.

Investors around the world continued to overlook rising geopolitical tensions in recent sessions to push stocks higher, led by gains in energy companies that benefit from rising oil prices.

Still, some market participants worry that an increasingly uncertain policy outlook could eventually pose a threat to corporate profits and economic growth. The U.S. is exiting from the Iranian nuclear accord, President Donald Trump said Tuesday, leading multinational companies that recently made big bets on Iran to review their investment plans.

"There is a broad mosaic of potential policy concerns," said Bill Northey, a senior vice president at U.S. Bank Wealth Management.

Elsewhere, the Stoxx Europe 600 fell 0.1% after the Bank of England cut its growth forecast for this year to 1.4% from 1.8% but stuck with its estimates for the second quarter and subsequent

2723.07, while the Nasdaq Composite added 65.07 points, or 0.9%, to 7404.97, the tech-heavy index's fifth consecutive day of gains.

However, the Dow remains roughly 7% below its most recent record set in late January.

Shares of Apple extended their climb, adding \$2.68, or 1.4%, to \$199.04 to help lift the Dow. UnitedHealth Group also traded higher, gaining 4.50, or

years.

Early Friday, Japan's Nikkei Stock Average was up 0.7%, Hong Kong's Hang Seng Index was up 1% and Australia's S&P ASX 200 was up 0.2%.

Treasury Auctions

The Treasury Department will auction \$101 billion in securities next week. Details (all with minimum denominations of \$100):

◆ Monday: \$48 billion in 13-week bills, a reopening of an issue first sold on Aug. 17, 2017, maturing Aug. 16, 2018. Cusip number: 912796NQ8.

Also, \$42 billion in 26-week bills, dated May 17, 2018, maturing Nov. 15, 2018. Cusip number: 912796QJL.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

◆ Thursday: \$11 billion in nine-year, eight-month 0.5% Treasury inflation-protected securities, a reopening of an issue first sold on Jan. 31, 2018, maturing Jan. 15, 2028. Cusip number: 9128283R9.

Noncompetitive tenders must be received by noon Thursday; competitive tenders, by 1 p.m.

Malaysia Vote Shocks Investors

By WSJ STAFF

Heavy selling looms in Malaysian assets when markets reopen next week, after the country's opposition coalition pulled off a shocking victory in Wednesday's election.

A U.S.-listed exchange-traded fund of Malaysian stocks slumped 6% on Wednesday, its biggest decline since 2011, while the dollar has risen more than 2% against the ringgit in the derivatives market. The ETF recovered 1.8% on Thursday.

Incoming Malaysian Prime Minister Mahathir Mohamad earlier declared two days of national holidays after his Alliance of Hope coalition secured a parliamentary majority following the vote.

The "huge upset" over Najib Razak "ranks up there with Brexit and [U.S. President Donald Trump's] election," said Aninda Mitra, senior sovereign analyst at BNY Mellon Investment Management.

While anticipating short-term volatility in Malaysian markets next week, "a long-term fix of governance, insti-

Treasury Yield Ends Its Four-Day Increase

By DANIEL KRUGER

U.S. government bonds gained after a government report showed the pace of inflation is running slower than economists had forecast.

CREDIT MARKETS The yield on the benchmark 10-year Treasury note fell to 2.971% from 3.004% Wednesday, the second-highest level for the year. Thursday's drop snapped a four-session winning streak. Yields fall as bond prices gain.

Yields swooned after the La-

bbor Department said the consumer-price index, which measures what Americans pay for everything from salad dressing to guitar strings, rose 0.2% in April after falling a seasonally adjusted 0.1% in March. Excluding the volatile food and energy categories, so-called core prices rose 0.1%, compared with a 0.2% rise in March.

Economists surveyed by The Wall Street Journal had expected consumer prices to rise 0.3% in April and core prices to rise 0.2%. Inflation is a threat to the value of government bonds as

it erodes the purchasing power of their fixed interest payments and can spur the Federal Reserve to raise interest rates.

The data mean there is "a little less for the Fed to worry about" when it comes to the potential threat of inflation, said Larry Milstein, managing director of Treasury and agency trading at R.W. Pressprich & Co. The data show economic performance is "solid but not spectacular" and helps clear the path for the central bank to raise interest rates two more times this year, he said.

Yields remained lower after the government sold \$17 billion of 30-year bonds Thursday, the last of three debt offerings this week raising a total of \$73 billion. The government is raising the amount of notes and bonds it is scheduled to issue through July by \$27 billion to help pay for the \$1.5 trillion tax cut approved by Congress and President Donald Trump in December.

While many investors and analysts are expecting an increase in Treasury debt sales to push yields higher, yields are unlikely to climb much

more unless signs of faster growth or inflation align with the growth of debt sales, Mr. Milstein said.

AUCTION RESULTS

Here are the results of Thursday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

30-YEAR BONDS

Applications	\$44,500,965,400
Accepted bids	\$21,098,197,100
"noncompetitively"	\$5,087,100
* foreign noncompetitively	\$0
Auction price (rate)	99.903175
(3.130%)	3.125%
Interest rate	3.67%
Bids at clearing yield accepted	9128105C3
Cusip number	9128105C3

The bonds, dated May 15, 2018, mature on May 15, 2048.

Argentina's Moves to Prop Up Currency Prove Futile

By MIKE BIRD

Argentina went from robust to bust in a matter of months, leaving investors scratching their heads. Among the mysteries: Why the country's record hoard of currency reserves—

CURRENCIES often seen as shield against foreign-exchange volatility—did so little to stem the crisis.

The lesson seems to be that loads of dollar reserves alone can't make up for weakness in a country's economic underpinnings. Foreign investors who had been burned by Argentina's repeated defaults over the years, reassured by the country's rising reserve bulwark, edged back into the country in recent years, buying up assets like a 100-year government bond issued in June 2017.

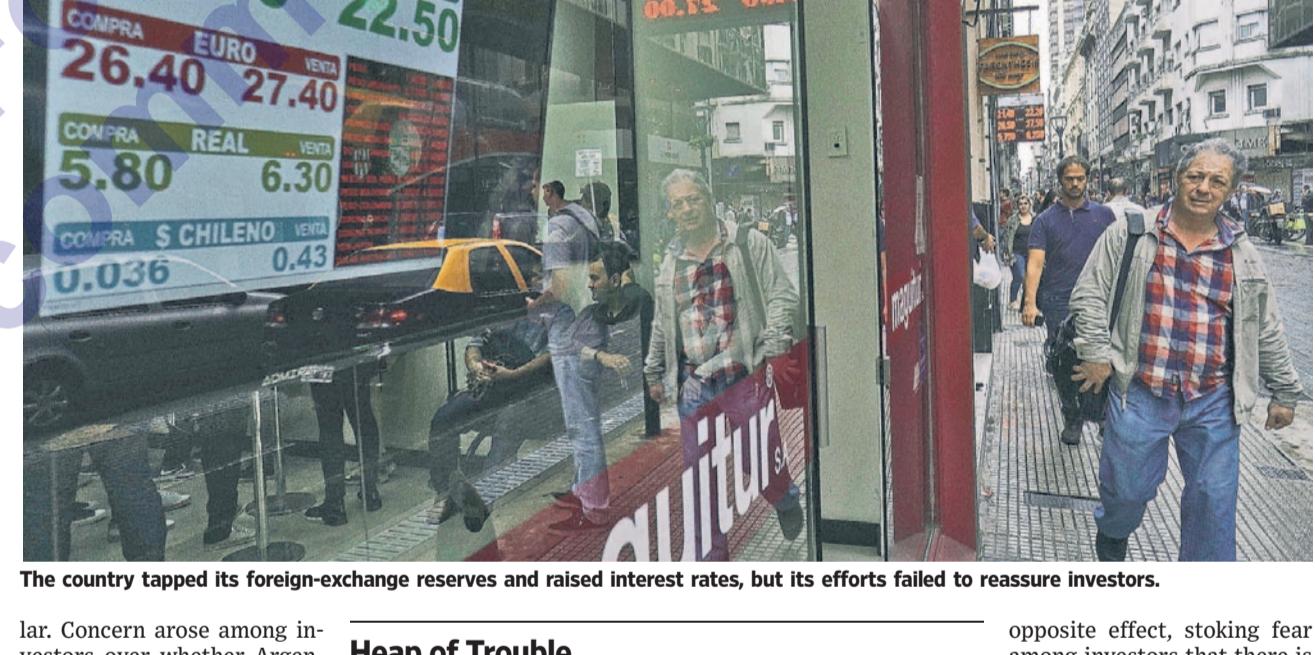
"If they thought they could defend the currency by selling the reserves, to be honest they wouldn't have raised interest rates to 40%," said Carl Shepherd, portfolio manager at Newton Investment Management.

When a currency is falling, central banks can sell dollar reserves and buy the local currency to prop it up. But in Argentina's case, the maneuver failed to reassure investors.

Argentina's situation may also shed light on whether reserves will prove more useful against a rising dollar elsewhere among the world's most vulnerable economies. Turkey, whose currency has weakened sharply against the dollar this year, is a focus for investors.

Such moves could have a negative impact on Malaysia's credit rating without offsetting measures to raise fiscal revenues, Moody's Investors Service warned Thursday. It currently rates the country at A3, four steps above the investment-grade rating threshold.

Meanwhile, Malaysia's central bank, as expected, kept interest rates at 3.25%. The policy statement said, "The domestic economic outlook remains positive, the financial sector is strong and monetary and financial conditions are supportive of economic growth in the postelection environment." That could signal central-bank confidence that the markets can weather uncertainties created by the change in government.



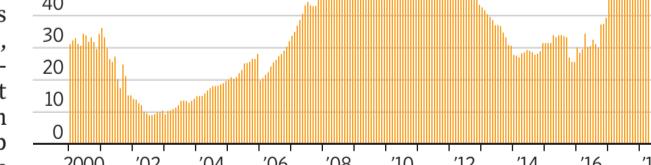
The country tapped its foreign-exchange reserves and raised interest rates, but its efforts failed to reassure investors.

Heap of Trouble

Argentina's highest-ever foreign-currency reserves did little to stem its current crisis.

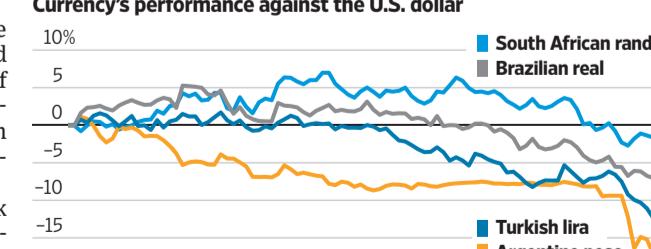
Argentina's foreign-exchange reserves

\$70 billion



Emerging-market currencies have struggled this year.

Currency's performance against the U.S. dollar



Source: FactSet

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opposite effect, stoking fear among investors that there is worse to come, said Gary Smith, who works with sovereign-wealth funds and official institutions at Barings Asset Management.

The Korean won's fall in 2008 led the country to spend more than a fifth of its foreign-exchange reserves. Yet what helped stop the falling won was the U.S. Federal Reserve's offer of a currency swap line to South Korea. Russia spent a similar share of its reserves to stop the ruble's drop in 2014 and 2015, but arguably the rebound in the price of oil stemmed the pain.

Currency reserves are helpful, if used correctly, according to some researchers. Using data from 33 countries from 1995 to 2011, a recent paper by four economists found that intervention could be effective in stabilizing exchange rates, especially when sales were large and well-communicated.

Though Argentina began its current distress with high foreign-exchange reserves, the country also has deeper foreign debts than other emerging markets. Over two-thirds of the country's government debt is issued in a foreign currency, according to the IMF. In comparison, equivalent levels are 4.4% for Brazil and 33.5% for Mexico.

the IMF's advice by allowing a somewhat flexible exchange rate, which in theory should help absorb economic shocks.

The trouble is, using reserves, while meant to increase confidence in a currency, can actually have the

opposite effect, stoking fear among investors that there is worse to come, said Gary Smith, who works with sovereign-wealth funds and official institutions at Barings Asset Management.

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MARKETS

Pricing Hitch in Heart of U.S. Oil Boom

In West Texas, strained pipelines lead to crude selling for under \$60 a barrel

By ALISON SIDER
AND RYAN DEZEMBER

The main U.S. oil benchmark, West Texas Intermediate, has soared to its highest level in years at \$71 a barrel. Good luck getting that price in West Texas.

In the epicenter of America's drilling boom, crude is going for less than \$60 a barrel because oil output there has overwhelmed pipelines that connect the Texas desert to markets along the Gulf Coast and abroad.

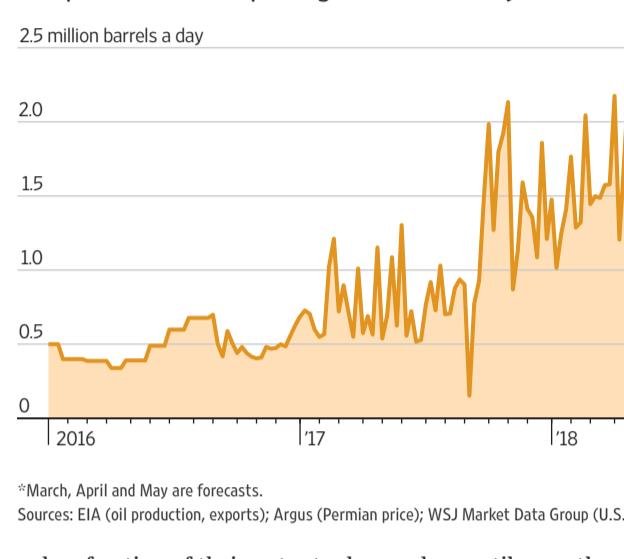
U.S. oil prices are splintering because of bottlenecks in the region due to crowded pipelines and worker shortages. Analysts and investors worry such logjams will threaten the profits of Permian producers and slow crude output when the global oil market is already facing limited supplies because of disruptions from Iran and Venezuela. That would propel rising oil prices even higher.

Producers would like to get their oil to places such as Houston, where oil can be loaded onto tankers and shipped overseas. There, the same crude fetches upward of \$73.

But it could be a year or more until new pipelines catch up with surging production. At the region's current growth rates, analysts at PLG Consulting expect that close to 200 million barrels of oil will be unable to make it to market in the next 16 months.

"They're not going to be able to get it all out," said Taylor Robinson, president of PLG.

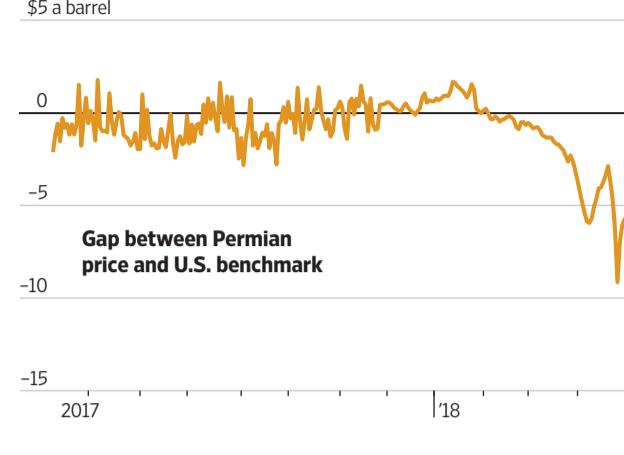
Some Permian producers have already locked up space on pipelines, or have used financial instruments to hedge their exposure to these types of price swings. Many say that



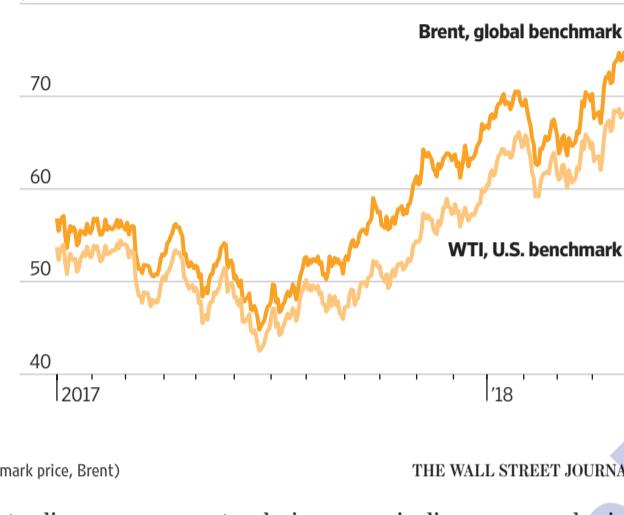
*March, April and May are forecasts.

Sources: EIA (oil production, exports); Argus (Permian price); WSJ Market Data Group (U.S. benchmark price, Brent)

...depressing local prices as pipelines are overwhelmed.



...because it fetches higher prices internationally.



looking at dusting off a proposed rail terminal it put on the back burner last year when it was tough to find customers and the project looked too risky. Now, "we're getting calls once a week from a variety of groups asking 'is your facility ready, we want to use it,'" said Chief Executive Adam Bedard.

Refiners with plants in the region are gobbling up as much cheap crude as they can.

Delek US Holdings Inc. buys about 70% of its crude in the Permian Basin and told investors this week that it expects the gap between the U.S. benchmark and the Midland price to grow to nearly \$20 early next year.

Every dollar that Midland crude drops below the U.S. benchmark results in about \$75 million of profit on an annualized basis for Delek, the Tennessee-based refiner told investors. That is on top of the nearly \$100 million in earnings it adds when the Cushing price, West Texas Intermediate, falls \$1 below Brent, the international benchmark. The Cushing price is currently about \$6 below Brent.

Delek CEO Ezra Uzi Yemin said the "huge windfall" won't last forever. But for now, it has helped to nearly double the refiner's share price over the past year.

Producers that have long been reluctant to lock themselves into long-term agreements with pipelines are suddenly more eager to secure space on pipes that are now in the works.

Diamondback Energy Inc. recently signed on to send 50,000 barrels a day on a planned pipeline system that will eventually take oil to the Gulf Coast, where it can be refined or shipped abroad.

"Getting our barrels on a ship will get us a global price," Kae Van't Hof, senior vice president of strategy and corporate development, said during a conference call Wednesday.

only a fraction of their output is actually sold at those low levels in Midland, the city in West Texas where the local price of crude is set. But others are stuck watching a rally pass them by.

"If you're a producer who does not have any firm space at all, you're going to eat the majority of that \$13 or \$16" price difference, said John Zanner, an analyst at RBN Energy LLC.

This has happened before. In 2014, Midland oil prices fell to a nearly \$20 discount to the national benchmark. But the price gaps were just a few dol-

lars or less until recently.

The widening spread is weighing on Permian Basin producers. Shares of **Laredo Petroleum Inc.** sank 15% last week after the company said it expected its output for the rest of 2018 to fetch 91% of the Cushing price, down from the 95% it had earlier told investors.

The drop occurred after a trading partner abruptly ended an arrangement that let Laredo choose whether to sell some of its oil in Midland or near export facilities along the Gulf Coast. Laredo's agreement with **Royal Dutch Shell PLC's**

trading arm was struck in 2016, when the prices were closer. It has been the subject of litigation since last year.

The Tulsa, Okla., company was forced to find new buyers for 19,000 barrels a day on short notice. "We dumped it in the Midland market," said Dan Schooley, Laredo's senior vice president of operations. The stock has recovered about a third of last week's plunge as executives laid out contingency plans for its crude.

Meanwhile, the price gaps are an opportunity for infrastructure companies to build

new pipelines or expand existing ones.

"In the pipeline industry, this is like oil going over \$100 a barrel. It's pretty profound," said Jay Hatfield, portfolio manager of the InfraCap MLP ETF.

Now trucks and trains are coming back into vogue in West Texas, but neither is a perfect solution. Rail facilities could take months to get going. And the trucking industry is already stretched thin and doesn't have enough drivers to move both crude and the sand needed for fracking.

ARB Midstream LLC is

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

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It's Too Soon to Bet on Wells Fargo

Left Behind

Price performance since initial revelations on Wells Fargo sales practices



Source: FactSet

form-related write-downs in the fourth quarter. Because of its history and geographic footprint, the net effect was positive at Wells Fargo. What excites investors about its competitors is their potential for higher returns going forward.

Wells Fargo set a new, higher ROE target of 12% to 15% for 2018 and 2019. This improvement was largely due to lower taxes, though, and it also excludes potential litigation expenses or other penalties from its continuing controversies.

Given how shares continue to drop at Wells Fargo, including complaints filed with regulators just this week by a Tennessee public pension fund about its fee practices, it is no sure bet that the bank will be back in the good graces of regulators anytime soon.

Despite this, Wells Fargo shares still aren't cheap at 1.5 times book value, a ratio that already anticipates their new, higher return targets. Investors should stick to banks with fewer unknowns.

—Aaron Back

asset cap until "the first part of 2019," later than it initially suggested.

In a presentation, Wells Fargo Treasurer Neal Blinde stressed the bank's ability to optimize its current balance sheet within those strictures. Nevertheless, the Fed's order remains a serious threat to Wells Fargo's franchise.

To be fair, Wells Fargo has maintained a decent profit profile throughout this turmoil. For the years 2016 and 2017, the bank had set a tar-

get range for return on equity, a closely watched measure of bank profitability, of 11% to 14%. It performed toward the low end of this range, reaching returns of just over 11% both years.

Chief Financial Officer John Shresberry boasted Thursday that these returns were higher than those of megabank peers. But that ignores some important context: Last year, returns at Wells Fargo's peers were hit disproportionately by tax-re-

OVERHEARD

Hedge funds and other alternative asset managers have a reputation for choosing distinctly odd names swiped from ancient mythology or types of fish or Latin-sounding words. See, for example, **Cerberus Capital Management**—named after the three-headed dog that guards the gates of Hades—or **Infinitas Capital**. These names have seemingly nothing to do with the actual work of the funds, but they lend them a certain gravitas.

Investors actually allocate more flows to hedge funds with dignified names, according to a study by **Juha Joenäärä** of the University of Oulu and **Cristian Ioan Tiu** of the University of Buffalo.

Adding one more gravitas-heavy word to a name brings, on average, over a quarter-million dollars more in quarterly flows. Yet funds with high-gravitas names are also associated with abnormal negative performance, including lower returns, higher volatility and higher probabilities of extinction. Remember the Latin phrase: *Caveat emptor*.

Nvidia's Cloud Bill Comes Due

The only thing soaring higher than **Nvidia's** cloud business is its share price.

Both were apparent following the company's fiscal first-quarter results Thursday afternoon. Sales of graphics-processing chips designed for use in data centers soared 71% year over year to \$701 million—solidly beating the 60% growth analysts had projected. This segment now makes up about 22% of Nvidia's total business.

But it also is the primary driver of the company's stock price, which has surged more than sevenfold over the past two years as advances in artificial intelligence have made the company a key supplier to the Big Tech companies that are aggressively investing in the expansion of their networks.

At 40 times forward earnings, Nvidia is one of the richer plays in the chip sector. But investors with a longer-term view shouldn't worry much. The data-center segment has plenty of upside, as the largest customers are still boosting their spending. Google, **Microsoft** and **Amazon.com** alone

spent a record \$16.4 billion in capital expenditures and capital leases during the March quarter, up 80% year over year. Nvidia's strong earnings expansion over the past two years supports the argument that the company can grow into its valuation.

There are reasons to worry about short-term volatility. The company noted in its earnings call Thursday that demand from cryptocurrency miners is expected to decline in the current quarter. That is a market investors never should have counted on lasting. But every little bit can help, or hurt.

—Dan Gallagher

Core Prices Aren't the Only Inflation Metric That Matters

Pumping Up

Average price of regular gasoline



can bounce around as a result of temporary factors that don't reflect the overall economy.

But that doesn't mean food and energy prices

should be overlooked. Even though moves in them are short-term, they are still costs that Americans must bear and, since groceries and gasoline are among people's most frequent purchases, they tend to shape people's perceptions of inflation. They also matter because increases in food and energy prices can reflect cost pressures that are going to show up elsewhere.

It is gasoline prices that were the big force pushing overall inflation higher in April and that looks likely to continue. The average retail price for regular gasoline in April was \$2.76 a gallon, ac-

cording to the Energy Department, up 14% from a year earlier. Pump prices are higher now: Gasoline averaged \$2.86 on Monday.

The summer driving season kicks off with Memorial Day weekend this month. That won't just drive demand but also will draw drivers' attention to how much more gasoline costs this year. The underlying trend in inflation may still be subdued, but that isn't how consumers are going to see it. Moreover, higher fuel prices can slip into the costs of other things. Truckers charge more, for example, and workers may push harder for

higher wages to offset what they are putting into the tank.

Additionally, higher gasoline prices have come about as a result of a rise in oil prices that is largely due to the global economy doing better. With demand rising around the world, prices for other globally traded commodities, as well as imports to the U.S., could climb.

Already in tightening mode, this isn't something that the Fed will be able to ignore. The move higher in headline inflation could end up becoming a core concern for investors, too.

—Justin Lahart

Cartoonist
George Booth on the
merits of house cats
M12



MANSION

Now shall I walk or shall I ride?
"Ride," Pleasure said; "Walk,"
Joy replied.' —W.H. Davies

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THE WALL STREET JOURNAL.

Friday, May 11, 2018 | M1



FOOTFALL

Richie Doyle and his girlfriend, Alexandra Ferguson, walk their pug, Hampton, on Santa Monica Boulevard. The couple live in a \$950,000 penthouse in West Hollywood.

JESSICA SAMPLE FOR THE WALL STREET JOURNAL; CHRIS SORENSEN FOR THE WALL STREET JOURNAL (BOOTH)

In L.A., Buyers Take a Walk

In a city known for its cars, high-end buyers increasingly want homes within steps of bars, restaurants and sports venues; it feels like Greenwich Village, one owner says.

BY CECILIE ROHWEDDER

FROM HIS LUXURY condominium in Beverly Hills, Calif., David Henry Simon can walk to his favorite restaurants. In the morning, he steps out for coffee or strolls to a nearby grocery store, where the cashier knows him by name.

Located at the Montage Beverly Hills, a five-star hotel, the three-bedroom, 2,600-square-foot home Mr. Simon bought last summer is steps away from the upscale stores and eateries around Rodeo Drive.

"There are days when I don't touch the car," says Mr. Simon, a lawyer, real-estate investor and native New Yorker. "It's just like when I was growing up in Manhattan."

Meet the hottest new amenity in Los Angeles luxury real estate: walkability. In the city known for its car culture, more high-end home buyers want a neighborhood feeling and the ability to walk to urban attractions.

The shift comes as locals are growing weary of worsening traffic and high-priced parking, and as community-oriented millennials are gaining market power. Fueling the trend is a slew of

new luxury condo buildings where, developers are hoping, buyers will pay a premium for proximity to urban life. While for most Angelenos, luxury living still means a home in the hills with a private pool and garage, some now share walls in exchange for the ability to run out for a bagel in the morning, a beer at night or a chat with neighbors at the dog park.

"Things are changing in L.A.," says Cory Weiss, president of western region development marketing for Douglas Elliman real estate. "People are flocking to new developments in areas

Please turn to page M6

INSIDE



CHRIS EVERETT

Tennis great lists for nearly \$5 million **M2**



VACATION HOMES

Tapping equity is less attractive **M5**



SUBLIME IN LYME
A minimalist home in Connecticut **M3**

A BADEN-BADEN VILLA'S MUSICAL LEGACY

The German home of composer-conductor Pierre Boulez goes on the market; modernist rigor in a Belle Époque shell.

BY J.S. MARCUS

FOR OVER HALF a century, a stately Belle Époque villa in the German spa town of Baden-Baden served as a redoubt for French conductor and composer Pierre Boulez. Following Mr. Boulez's death in 2016 at the age of 90, his heirs have put the property on the market for €2.5 million (\$3 million).

The pink sandstone mansion dates back to 1897, when it was commissioned by Sophie Behr, a banker's widow. It was built in a stately neo-Gothic style as Baden-Baden was entering its long twilight as a grand European resort.

Marina Soroka, the author of a book about European spa culture, "The Summer Capitals of Europe, 1814-1919," says French patronage in the mid-19th century helped turn Baden-Baden into an annual must for European aristocrats, from Queen Victoria to Richard Wagner. "It was very expensive, quite exclusive, and a must for the snobs from all over Europe."

By the end of the 19th century, politics began to intrude, she says. After the Franco-Prussian War of 1870-71, the



HIS GERMAN RETREAT French composer and conductor Pierre Boulez first rented at the Baden-Baden villa and bought it in 1985.

French stayed away, and later Victoria's son, King Edward VII, switched from German spas to Marienbad, in what is now the Czech Republic. By the 1890s, Baden-Baden was a place for wealthy Germans to retire, amid a shrinking group

of die-hard spa-goers.

By World War I, the Boulez villa had become a de facto apartment house. In 1960, Pierre Boulez rented the first floor of the four-level structure. By 1970, he was renting the whole house and he fi-

nally bought it in 1985.

The son of an engineer in France's Loire region, Mr. Boulez shot to fame in musical avant-garde circles before he was 35 with innovative compositions like his three piano sonatas, written be-

tween 1946 and 1957. Known

at the time for his brash denunciations of more traditional composers—Verdi was "stupid" and Brahms was "a bore"—Mr. Boulez first came to Baden-Baden in the late

Please turn to page M4

MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

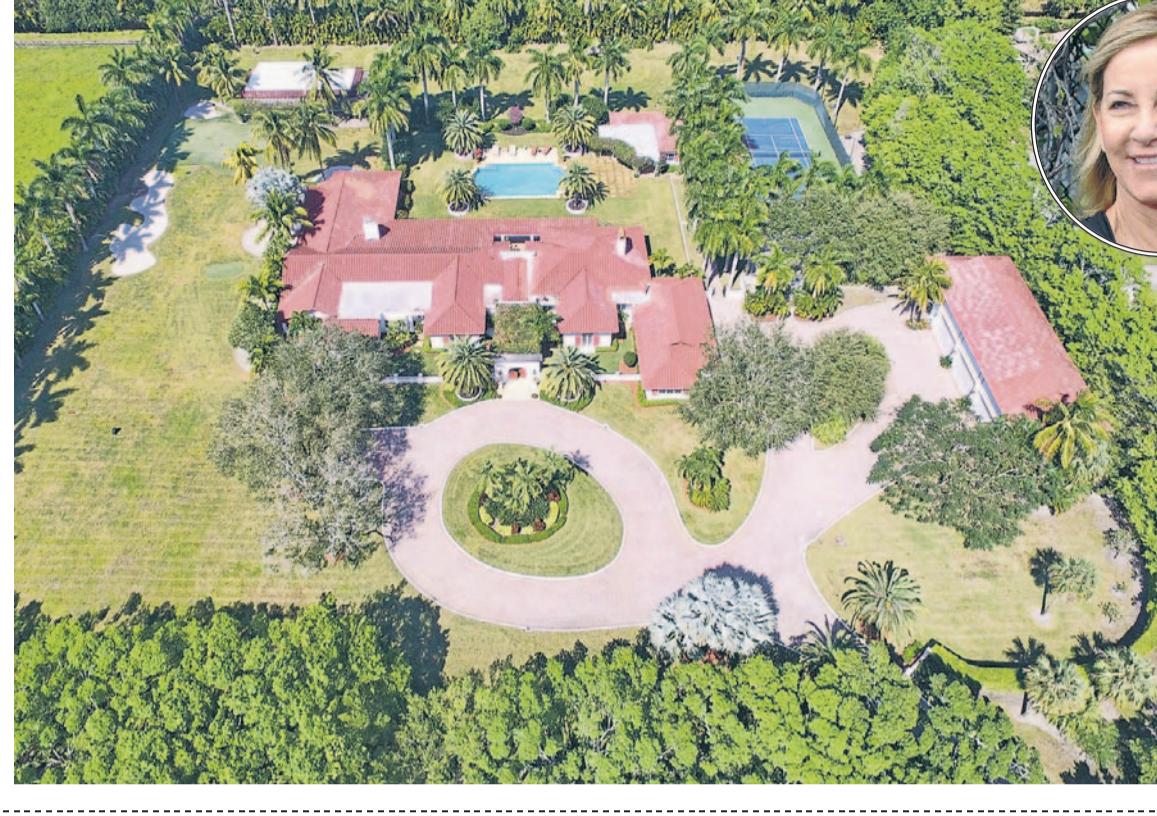
Tennis Great Chris Evert Lists for \$4.999 Million

Chris Evert, once the world's top-ranked female tennis player, is listing her Florida home, complete with tennis court, for \$4.999 million.

Ms. Evert, 63, bought the Mediterranean-style home in Boca Raton, Fla., for \$2.8 million in 2003 with her now ex-husband, Olympic skier Andy Mill, and raised their three children there, she said. Now, with all three boys over 21, it's time to move on.

The property is located in Horseshoe Acres, a small and secluded equestrian community on the west side of Boca Raton, and sits on 5 acres, complete with a tennis court, a soccer field, a pool, a short par-three golf course, a garage that can accommodate nine cars and two guesthouses.

A horse barn on the site has been converted into a gym and a home theater. The main house features six bedrooms, a sprawling living room with a fireplace and wet bar, a large office and a dining room.



Ms. Evert said the house was the perfect playground for her children, who would play golf and soccer at night by turning on the flood lights.

"It's sad for me really because we had such a great life there with the three kids growing up," she said. "Now, they have their own lives and 5 acres is too big for me alone. A part of my life has died away with that house."

Ms. Evert said she has already moved out and into a smaller home in the area.

The world No. 1 in women's tennis from 1974 to 1978 and in 1980 and 1981, Ms. Evert won 18 career Grand Slam singles titles before retiring in 1989.

The Evert Tennis Academy, which she runs, is a seven-minute drive from the home.

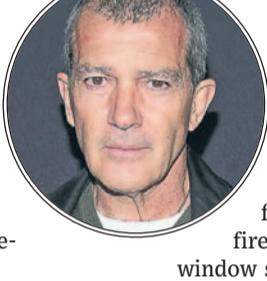
Katia Reisler of Douglas Elliman and Rebecca Spooner of Siemens Group Realty have the listing.

ACTOR ANTONIO BANDERAS TO SELL HOME HE BOUGHT WITH MELANIE GRIFFITH

Spanish actor Antonio Banderas is listing his Manhattan apartment, which overlooks Central Park, for \$7.95 million.

The "Puss in Boots" and "The Mask of Zorro" star purchased the home for \$3.995 million in 2005 with then-wife, Melanie Griffith, property records show. Mr. Banderas took title to the property in 2016 following their divorce, records show.

The home is located in the Prasada building on Central Park West, a Beaux-Arts co-operative building completed in the early 1900s. It's comprised of two apart-



ments on the fourth floor that were combined by a previous owner into one sprawling unit, records show.

There are four bedrooms, four bathrooms, an office, an eat-in kitchen and formal living and dining rooms. It has picture windows looking directly onto the park. The living room features a decorative fireplace and has built-in window seating, while the dining room has a bay window.

Listing agent Bernice Leventhal of the Corcoran Group, who shares the listing with colleague Sarah Thompson, said her client



was selling in order to move out West and be closer to his family. He shares a daughter with Ms. Griffith.

Mr. Banderas stars in "Life It-

self," a love story set in New York and in the Spanish countryside. He co-stars with Olivia Wilde and Oscar Isaac. The film is slated for release later this year.



FARM ASKS \$13.75 MILLION, ANIMALS ARE NEGOTIABLE

A Connecticut estate on about 187 acres—and home to a menagerie of animals including peacocks, pheasants and parrots—is going on the market for \$13.75 million.

Known as Cobble Hill Farm, the property is in West Cornwall, said Carolyn Klemm of Klemm Real Estate, who has the listing with Roger Saucy.

The four-bedroom house measures about 6,400 square feet. The grounds include two guesthouses, an office and a "sugar shack" for making maple syrup. There is a tennis court and a swimming pool.

The owners are Ira B. Shapiro, 77, and Jacqueline Dedell, 70. They worked in publishing and have a range of other investments, Mr. Shapiro said. They bought the property in 2001 for around \$5 million and have restored the house and grounds. The couple is selling because they want to downsize, Mr. Shapiro said, adding that they would consider selling the animals with the farm.

—Candace Taylor

A nearly 7,500-square-foot penthouse in Manhattan is listed for \$40 million. **M10**

HONG KONG HEIRESS PAYS \$50 MILLION TO BUY STING'S FORMER PENTHOUSE



Karen Lo, a Hong Kong heiress whose family started the Vitasoy beverage empire, is the buyer of British rocker Sting's penthouse at 15 Central Park West in Manhattan, according to two sources familiar with the deal.

Ms. Lo bought the approximately 5,400-square-foot unit for \$50 million in a deal that closed in April. She bought the apartment through a limited-liability company, property records show.

The two-story penthouse first came on the market in May 2017 for \$56 million. The four-bedroom unit is on the 16th and 17th floors and overlooks Central Park. Sting and his wife, Trudie Styler, purchased the unit for

\$26.98 million from the developer in 2008, according to public records.

Listing agent Deborah Kern of the Corcoran Group declined to comment. Erin Boisson Aries of Christie's International Real Estate in New York represented Ms. Lo. She declined to comment.

Ms. Lo, who could not be reached for comment, has been an active buyer of U.S. real estate in recent years. She is currently listing two combined apartments at 551 West 21st St. in Manhattan's Chelsea neighborhood for \$36.5 million, records show. She bought those units for a combined in \$29.3 million in October 2016, records show.



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MANSION

BALANCE SHEET

City Glam for a Country Retreat

An architect-designer duo behind chic hotels brings a modern aesthetic to a Connecticut home

BY NANCY KEATES

STEPHEN B. JACOBS and Andi Pepper, a married architect and interior designer, have created some of the most cutting-edge hotels in the world, including the Gansevoort and the Library hotels. The home they recently designed for themselves in Lyme, Conn., is also cutting edge: It is literally on the side of a cliff.

"This is not your typical house," says Mr. Jacobs.

Built two years ago for \$2.2 million, the 5,800-square-foot, three-bedroom, 5½-bathroom house sits on 18 acres the couple bought for \$500,000. It's above the Connecticut River and is reached by a long dirt road.

The front exterior is deceptively traditional, with a two-story stone wall, chosen to mirror the ubiquitous stone walls that line the properties in this rural, tree-filled region. Inside, the wood-and-glass front door opens up to a cavernous living area with 18-foot ceilings and an all-glass wall. A three-story, wooden staircase has a carved-out look, with the undersides of the steps visible in profile from below.

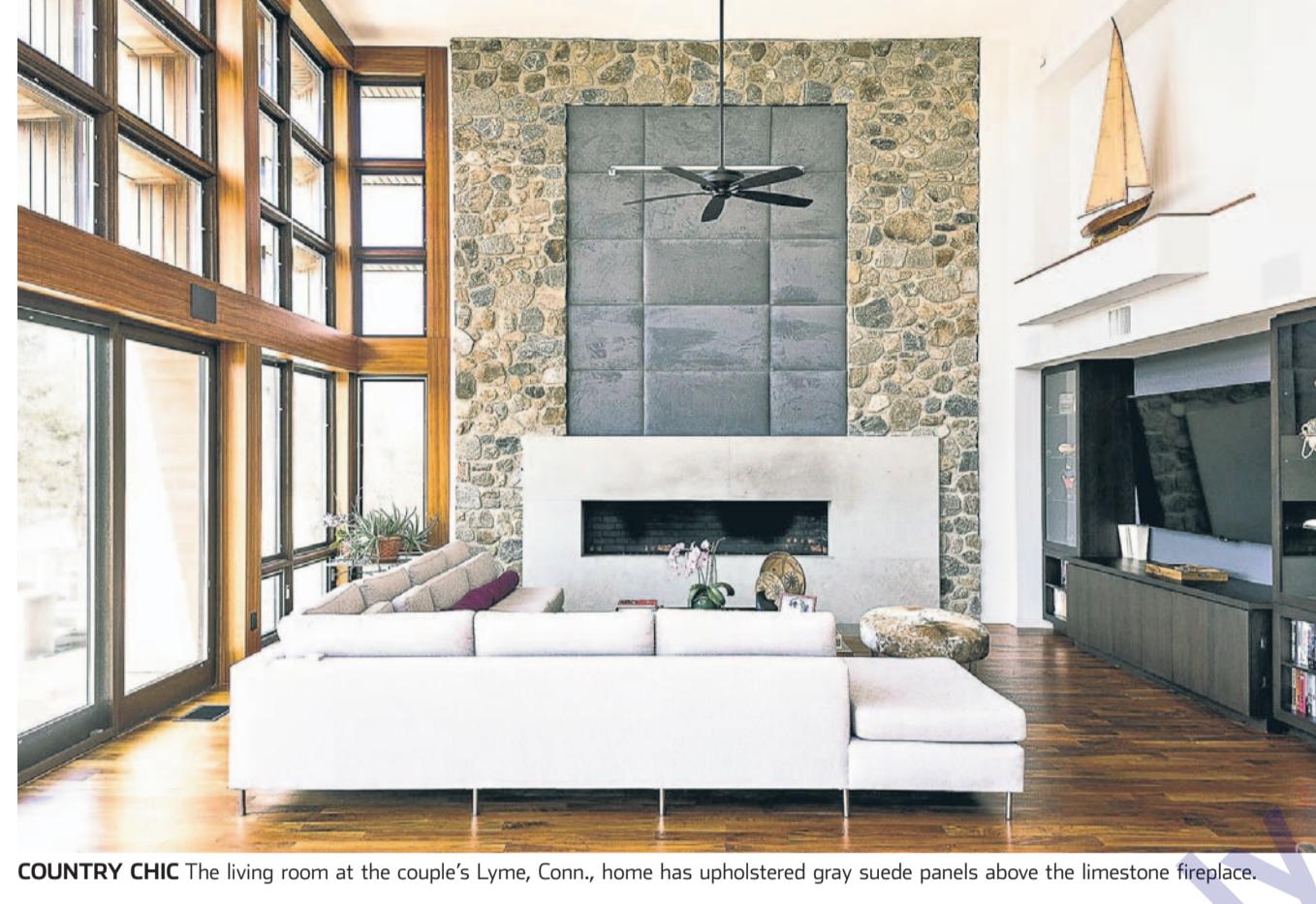
The overall effect is minimalist but not stark, warm but not cozy, with geometric shapes made from contrasting textured materials, wood and stone finishes and lots of shades of gray.

The couple is best known for pioneering the once-novel urban hotel rooftop trend with New York's Gansevoort Meatpacking hotel. Their own house also has a two-story roof deck totaling over 1,000 square feet. An echo of the Gansevoort's upholstered ceiling can be found in the home's living room, where a massive stone wall above the rectangular limestone fireplace has a cutout made of upholstered gray-suede panels.

Like the couple's Library Hotel project in New York, where the rooms contain books organized by the Dewey Decimal System, there are shelves of books, found aside a mirrored bar in the main room and in a library lounge on the third floor with walnut and limestone walls and floors, and leather sofas. A workout space in the basement has the air of a small hotel gym.

To connect the house to the surrounding topography, they used the rocks from the property to build walls inside and out. The wood-framed windows on the back that overlook the river have both horizontal and vertical shadings, placed to maximize the sun in the winter and minimize it in the summer.

Although Mr. Jacobs, 78, is an



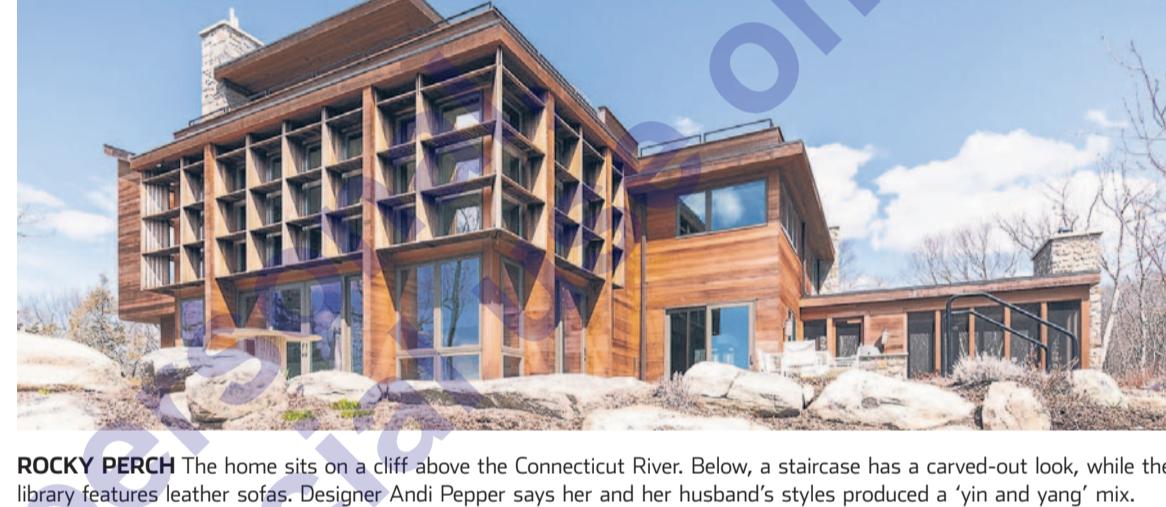
COUNTRY CHIC The living room at the couple's Lyme, Conn., home has upholstered gray suede panels above the limestone fireplace.

architect, and Ms. Pepper, 66, is an interior designer, they collaborate on projects right from the start of the design process, resulting in what they call a combined vision. "We get into each other's business," explains Ms. Pepper. The same was true in their house—but it wasn't as easy a process because the compromises were more personal.

Ms. Pepper gave in on the high ceilings, which she doesn't like, in exchange for a gas fireplace in the living room (he likes wood-burning). They had some fights about the shades of gray for the kitchen counters and cabinets (she prefers a lighter color). The result is what Ms. Pepper calls "yin and yang, masculine and feminine."

The Lyme house, where they spend three days a week away from their New York apartment, is the couple's second joint home project. The first was an addition to a vacation house in Stowe, Vt., in 2006. When the drive to Vermont became too much because of traffic, they looked closer to New York for a substitute. They knew the area around Lyme, which is about a two-hour drive from the city, from their time sailing the rivers.

Mr. Jacobs spent a day every weekend for six months sitting on the property in order to determine the best site, eventually choosing a corner right on the edge. "I wanted to get as close to the water as possible," he explains.



ROCKY PERCH The home sits on a cliff above the Connecticut River. Below, a staircase has a carved-out look, while the library features leather sofas. Designer Andi Pepper says her and her husband's styles produced a 'yin and yang' mix.



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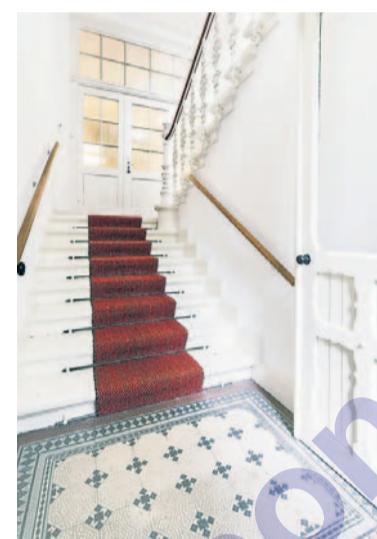
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MANSION



SPA CULTURE The sandstone villa, left, was built in 1897, as Baden-Baden's cachet was fading. Top right, Pierre Boulez at the house in 1983; below, a vintage TV in the basement quarters of his butler.

PIERRE BOULEZ'S HOME IN BADEN-BADEN



A MODERNIST'S ABODE Mr. Boulez divided his time between Paris and the villa in Baden-Baden. Above left, Mr. Boulez conducting at a music festival in 2008; the staircase entrance, above right, and Mr. Boulez's austere bedroom, below.



Continued from page M1
1950s as a conductor at Germany's Südwestrundfunk, a regional broadcasting network.

Over the following decades, he alternated between an apartment in Paris and his Baden-Baden base, while appearing as a guest conductor at ensembles including the Cleveland Orchestra, the Vienna Philharmonic and Amsterdam's Royal Concertgebouw Orchestra. In the 1970s, he was music director of the New York Philharmonic.

By the late 1960s, he had begun to shape the Baden-Baden house to accommodate his tastes and temperament, says his nephew, Parisian engineer Stéphane Boulez, 52 years old, who is selling the house with his twin brother, Léandre, and their three cousins. The brothers spent their summers here; Stéphane Boulez recalls doing homework in a soundproof music room in the basement.

In stark contrast to the neo-Gothic facade, the home's interior was Midcentury Modern, with furniture by Le Corbusier and Ludwig Mies van der Rohe, and artwork by Paul Klee and Joan Miró.

Mr. Boulez's nephew says Hortense Anda-Bührle, wife of Hungarian pianist Géza Anda, decorated the house in the early '70s.

The 5,700-square-foot home has 11 bedrooms and four bathrooms, and sits on a sloping acre lot on the edge of a forest. Despite some psychedelic touches popular in the late '60s, photographs document a modernist rigor that seemed to match Mr. Boulez's formal, even spartan reputation.

Known for conducting without a

baton and maintaining a respectful distance from musicians, Mr. Boulez never married. His villa's single-bed master bedroom, despite having its own terrace, had a cell-like austerity.

Mr. Boulez "was a very intellectual conductor," says Henk Rubingh, principal second violinist at the Concertgebouw. "He had a great imagination, but he didn't show emotion."

Boulez shaped the home's interior to his Midcentury Modern taste with furniture by Le Corbusier and Mies van der Rohe.

Musical friends nonetheless recall his ability to liven up the cerebral décor. "The warmth in the home came from him," says conductor and pianist Daniel Barenboim, general music director of the Berlin State Opera and a frequent visitor over the years. "He had an eye for luxury, but he was a radical modernist where he lived."

Mr. Boulez used the top floor as a guest apartment for his longtime administrative assistant, and the basement had quarters for his butler.

Andreas Klein, the Engel & Völkers agent handling the sale, says Baden-Baden's high-end market is once again attracting wealthy German retirees. He says a buyer should expect to spend about \$1.2 million to \$1.4 million to renovate the Boulez property.



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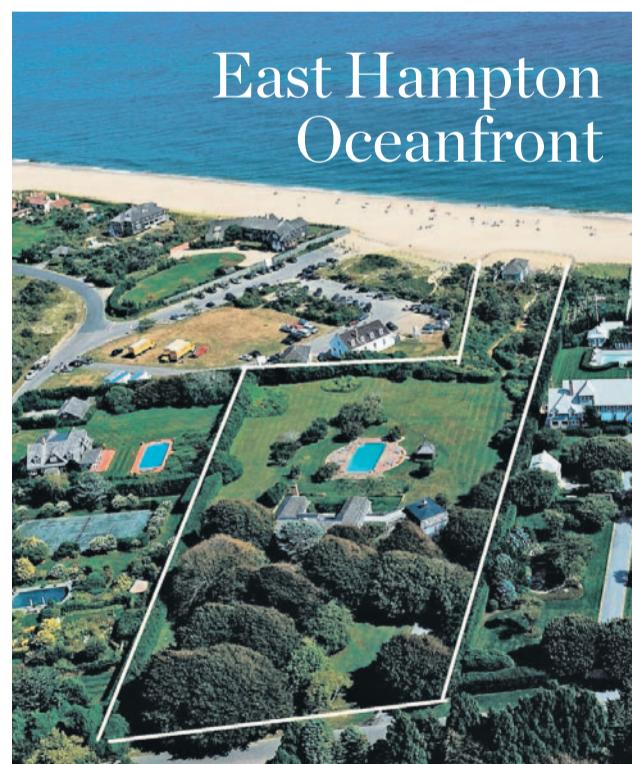
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Clinton/Tompkins Pl. 4 br, 2.5 bath.
\$3.695 million. Web# 18326011.
James Foreman 212-588-5637
Jennifer H. Cooke 212-588-5684

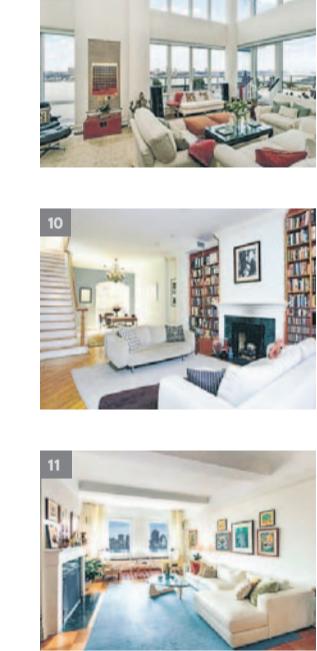


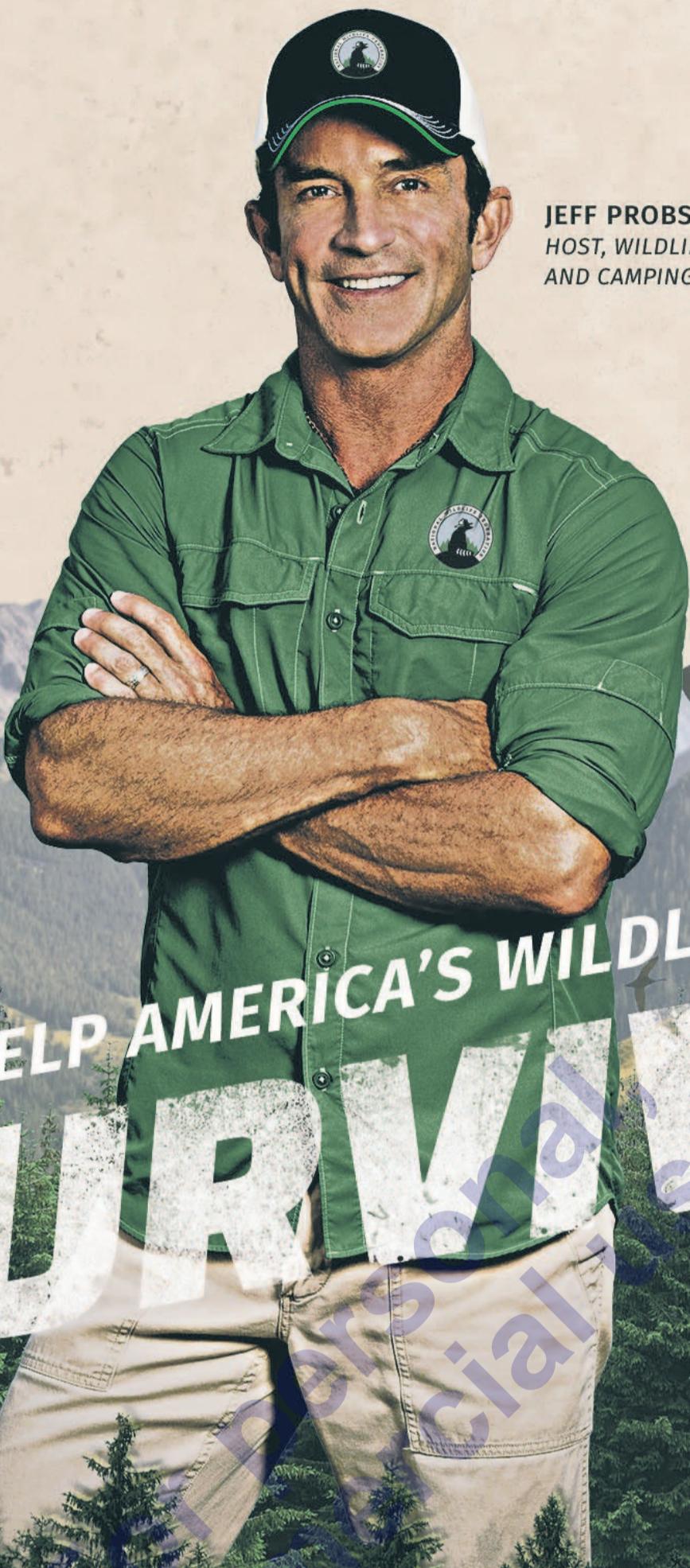
11. Views, Light, Location
Upper West Side. 2 br, 2 bath.
\$3.95 million. Web# 18359032.
Angel M. Joseph 212-906-9312

12. Rollin' on the River
Lincoln Square. 1 br, 1 bath.
\$755K. Web# 18334430.
Ellen Devens 212-452-6240

13. A Residential Work of Art
Park Slope. 4 br, 2.5 bath.
\$3.895 million. Web# 17893665.
Annie Rose 718-399-4137
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14. Mint + 2500SF Condo w/ Views
UWS Lincoln Center. 4 br, 3 bath.
\$6,599,995. Web# 18432466.
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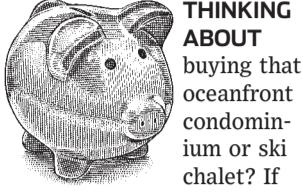


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JUMBO JUNGLE | ROBYN A. FRIEDMAN

TAX CHANGES AFFECT VACATION-HOME BUYERS

Tapping home equity to finance a second home is less attractive because of new limits on interest-payment deductions



you are shopping for a vacation home, bear in mind that the new tax laws may have an impact on how you choose to pay for that property.

The Tax Cuts and Jobs Act of 2017, passed by Congress in December and effective on Jan. 1, made some significant changes that may affect owners or purchasers of luxury homes.

The new rules limit deductions of mortgage interest and property taxes. They also limit the deductibility of interest on home-equity loans, home-equity lines of credit (Helocs) and second mortgages—loans that some homeowners use to tap the equity on their primary residences to pay for vacation homes.

While the new tax provisions don't entirely eliminate the deduction of interest on Helocs, they limit it to situations where the proceeds are used to buy, build or substantially improve the home that secures the loan. So if vacation-home buyers use Helocs on their primary residences to purchase vacation homes, they can't deduct the interest on the Helocs, according to the Internal Revenue Service.

Andy Weiser, a real-estate broker with Better Homes and Gardens Real Estate Florida 1st, in Fort Lauderdale, Fla., says that in the past, many of his clients from the New York area



would take out a Heloc on their primary residences to pay cash for an oceanfront condominium.

Things have changed. "Heloc purchases have pretty much dried up since the beginning of the year," says Mr. Weiser, whose clients typically purchase units that range from \$600,000 to \$1.2 million.

As a result, Mr. Weiser says it is now more likely for his clients to encumber their vacation homes with a first mortgage. Interest on a second home is still deductible as long as the total amount of both mortgages doesn't exceed \$750,000.

Of course, mortgage-interest rates—even those on a Heloc—remain historically low, so many homeowners, particularly affluent ones, may feel comfortable using a Heloc for a vacation-home purchase even if the interest is not deductible. For some, that may even be preferable to liquidating a portfolio to finance the purchase.

If you're planning to purchase a vacation home, there are various ways to finance your purchase. Here are some things to consider.

• Pay cash. If you have the funds available, paying cash is a quick and easy way to finance a vacation home. It

also gives buyers a competitive edge in many cases because there's no mortgage contingency and, hence, no added risk to the seller that the deal will fall through. And, if you later decide to renovate your new vacation home and want to use a Heloc to pay for those costs, your interest would be deductible as long as the Heloc is secured by the vacation home, and total mortgage indebtedness on the vacation and primary homes doesn't exceed \$750,000, according to Edward N. Cooper, director-in-charge of tax services at Berkowitz Pollack Brant Advisors and Accountants.

• Mortgage the vacation home.

According to Rick Bechtel, executive vice president and head of U.S. mortgage banking at TD Bank in Cherry Hill, N.J., many vacation-home buyers are applying for first mortgages to finance their purchases. At TD, there is no interest-rate difference between a mortgage on a primary or vacation home, as long as the vacation home isn't rented out. But the underwriting guidelines—the down payment required, loan-to-value ratio and credit score—are tougher for vacation homes, Mr. Bechtel said.

For example, while TD re-

quires a down payment of at least 10% on a jumbo loan securing a primary residence, a borrower needs a minimum of 15% for a vacation home.

• Consult experts in vacation-home financing. Before making your purchase, consult with a financial adviser and mortgage lender with expertise in financing vacation homes. Vacation-home buyers are in many cases high-net-worth individuals with complex financial situations, so they should check with an accountant or other financial adviser to ensure that they are structuring the deal the best way.

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JESSICA SAMPLE FOR THE WALL STREET JOURNAL (4)

CENTER OF THE ACTION Kerry Moy, a portfolio manager with Morgan Stanley Wealth Management in Los Angeles, lives on the 41st floor of the Ritz-Carlton Residences at LA Live, near the Staples Center entertainment complex. He enjoys grabbing an iced latte at the coffee shop in his building on the way to his office downtown, and can walk to games and concerts at the Staples Center.

L.A. HOME BUYERS TAKE A WALK

Continued from page M1
where they can walk."

The firm is marketing six projects in the city that involve "vertical living," as real-estate professionals call condo buildings, in walkable areas, several of them around Sunset Boulevard. At one, the Residences at the West Hollywood Edition, 20 condos sit atop a new boutique hotel designed by Ian Schrager and start at \$5 million.

Los Angeles' luxury condos can cost as much as a Malibu mansion. Beverly Hills' Mr. Simon wouldn't say how much he paid for his home at the Montage, which has high ceilings and a view of the Hollywood sign. But a similarly sized, three-bedroom unit in the building is currently listed for \$9.5 million. Two units recently sold for roughly \$4,000 a square foot, according to Soren Olsen, director of sales of the residential brokerage at Redwood City, Calif.-based



NEIGHBORHOOD FEEL Comedian Richie Doyle bought an apartment in West Hollywood, where he and his girlfriend can walk to restaurants. The area reminds them of New York's Greenwich Village.

Ohana Real Estate Investors, which owns the Montage Beverly Hills. Mr. Simon, who is single and in his 70s, also owns an oceanfront house in Manhattan Beach

but added the condo partly because he "missed just walking places."

Foot-friendly city life is drawing buyers to downtown Los Angeles, which has be-

come a more vibrant urban center in recent years. Kerry Moy, a portfolio manager with Morgan Stanley Wealth Management in Los Angeles, bought a one-bedroom con-



dominium in the Ritz-Carlton Residences at LA Live, near the Staples Center entertainment complex, for \$1 million in 2012. He initially planned to use the apartment, with contemporary finishes and floor-to-ceiling windows, as a second home but spent so much time there that last year, he added a two-bedroom unit next door for \$1.7 million. While he still drives—impossible to avoid altogether in Los Angeles, he says—Mr. Moy, 59 and newly single,



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is an area of opportunity," he says.

Real-estate website Redfin, which calculates "walk scores" to grade neighborhoods' walkability on a scale of 1 to 100, says that an increase to 80 from 60 adds an average of \$129,000 to a property's value in Los Angeles. Downtown Los Angeles, the neighborhood ranked most walkable, boasted a median home price per square foot of \$679, well over the citywide median of \$449, in March, the latest data available. MacArthur Park, a nearby district that scores second-highest for walkability, was also higher than the median at \$471.

Urban-style condominium living is growing in popularity across all price points. In August, comedian Richie Doyle paid \$950,000 for a two-bedroom apartment in a Mediterranean-style complex in West Hollywood, an area popular with young buyers for its culture and nightlife.

Mr. Doyle, 25, can see celebrities arriving for events at Delilah, a lounge and restaurant on Santa Monica

Boulevard. On Valentine's Day, Mr. Doyle and his girlfriend walked to dinner at Norah five blocks from their house. At night, the couple says, the area feels like New York's Greenwich Village.

"If you want to be in the epicenter of L.A. culture and what makes L.A. great, you can't enjoy it if you're sitting in the car for 45 minutes," he says.

The city of Los Angeles is encouraging car-free living. Along with extending public transportation, it is making streets more pedestrian-friendly, with wider sidewalks, benches and trees. It is also encouraging construction near transit hubs.

Eric Yang and Lauren Kawabata drive to work but can walk to most other places. Married in December 2016, the couple went to Japan for a honeymoon before starting to house-hunt in the spring of last year. So when they saw a newly built three-bedroom, 2,000-square-foot condo around Memorial Day in Silver Lake—complete with a roof deck and view of lush palm trees—they bought it for just

over \$1 million by Labor Day. On its website, Newport Beach, Calif.-based developer Planet Home Living touts the homes' location "in one of L.A.'s hottest neighborhoods near shopping, dining, markets and more."

On Saturday mornings, Mr. Yang, an accountant at EY, and Ms. Kawabata, a pharmacist, walk to the farmers market and to get his tea and her latte at the Blue Bottle Coffee shop on Sunset Boulevard, a 15-minute walk from their contemporary condo complex, Covo Silver Lake. If Mr. Yang, 30, and Ms. Kawabata, 29, get home from work early, they stroll to area restaurants such as Silverlake Ramen or Wood, a pizzeria featuring wood-oven baked pizza. Mr. Yang says the cost of parking in Los Angeles makes the couple want to drive less. Above all, it was the car-free trip to Japan that sparked their interest in a convenient, walkable neighborhood.

"We're both natives of L.A.," Mr. Yang says. "But it took a trip to Tokyo for us to get out of our cars."



ON FOOT From his luxury Beverly Hills condo, lawyer and real-estate investor David Henry Simon can walk to his favorite restaurants and shops. "There are days when I don't touch the car," he says.

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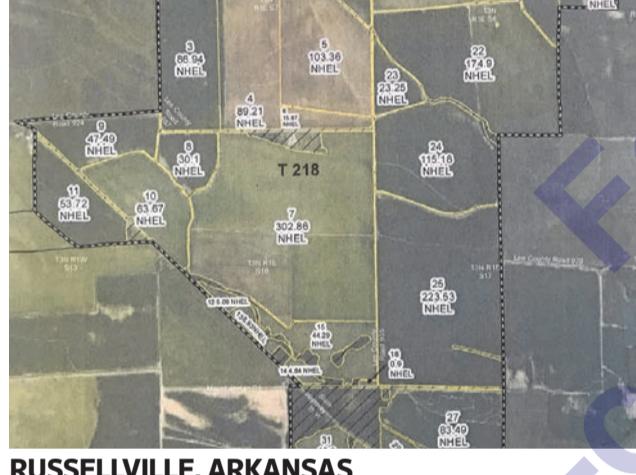
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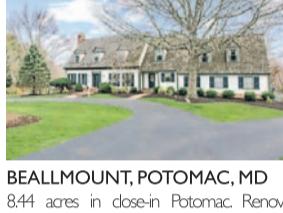
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MANSION

PRIVATE PROPERTIES | KATHERINE CLARKE

'Health-Conscious' Penthouse' Seeks \$40 Million

A penthouse in a new Manhattan tower with a Turkish bath and a residents-only blowout bar is hitting the market for \$40 million.

The penthouse, at 111 Murray St. in the Tribeca neighborhood, spans approximately 7,488 square feet with a 1,500-square-foot great room with walls of glass and a marble fireplace. It has ceilings over 12 feet high, panoramic views of downtown Manhattan and a master suite with two master bathrooms and a private outdoor terrace.

The property, which is one of two penthouses in the building, makes up the entire 63rd floor of the Kohn Pederson Fox-designed condominium, developed by Fisher Brothers, Witkoff and New Valley. The project launched sales in the summer of 2015 and more than 70% of its 157 units are now sold, according to Lauren Witkoff, an executive vice president at Witkoff. Architect and designer David Rockwell designed the lobby and amenity spaces, which include the Turkish bath, or hammam, a private dining room, 75-foot lap



CITYSCAPE The penthouse has a 1,500-square-foot, glass-wrapped great room with triple exposures, depicted in renderings above.

pool, fitness center, arcade for teens and a private aircraft concierge service. Ms. Witkoff said the home was designed for a health-conscious buyer. The home features a multi-zone heating and cooling system with filtered fresh air and a filtration system that re-

moves pollutants and impurities from the water.

She said the developers chose to wait to list the penthouse until construction was nearly complete and prospective buyers could see the views for themselves. The interiors remain unfinished. She said

the number of sales at the building had dipped since the initial surge when the building first launched but were strong this spring.

A first-quarter report by Elliman showed that the median sales price for a luxury Manhattan home—classified as the top 10% of sales—had



FROM LEFT: REDUNDANT PIXEL; DBOX (RENDERINGS)

dropped by 15.1% over the past year, while sales volume was down 24.1%.

Emily Sertic of Douglas Elliman is leading sales.

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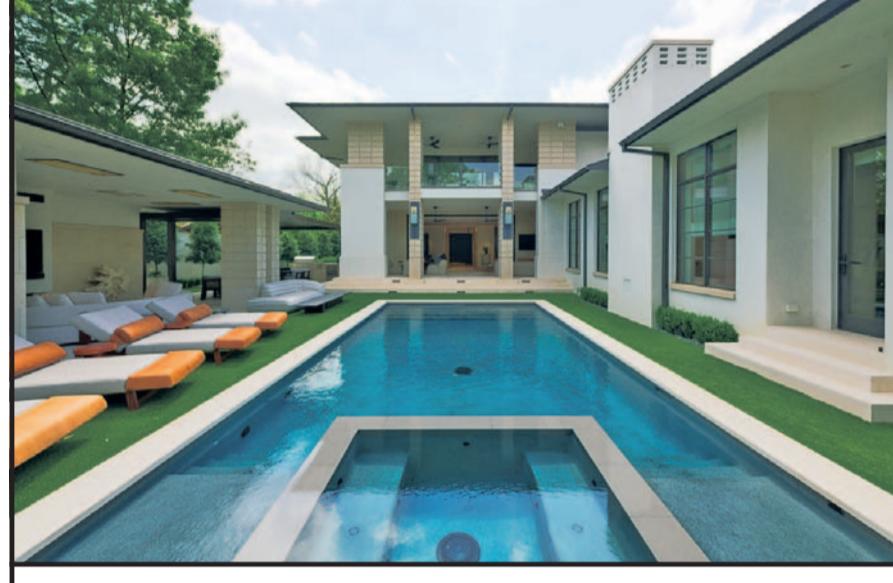
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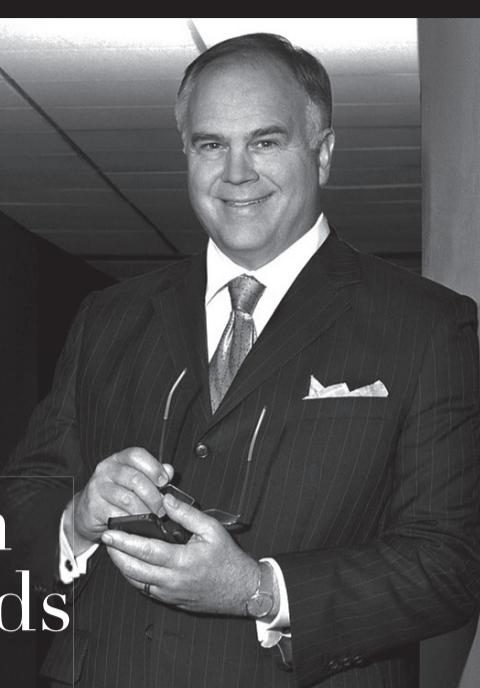


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Real Estate Trends



What Mom Really Needs

It's been said many times before, but it bears repeating: Life doesn't come with a manual. It comes with a mother.

With Mother's Day coming this Sunday, May 13, we should take time to reflect on one of the most precious people in our lives.

Mothers are the best among us. It's easy to marvel at their perseverance, their sacrifice and their hard work. They never clock in and out of their jobs: They serve 24/7, like no other.

A mother is your first friend, your best friend and your forever friend. And her hugs last long after she lets go.

Prince Harry has said that all he ever wants to do in life is to make his late mum "incredibly proud."

Movie heartthrob Leonardo DiCaprio calls his mother "a walking miracle." He credits her as "the only reason I'm able to do what I do."

Pop musician Justin Timberlake once lamented, "I'm never going to find someone as good as my mother, am I?"

Moms understand the need for empathy — of standing in others'

shoes, and looking through their eyes before judging.

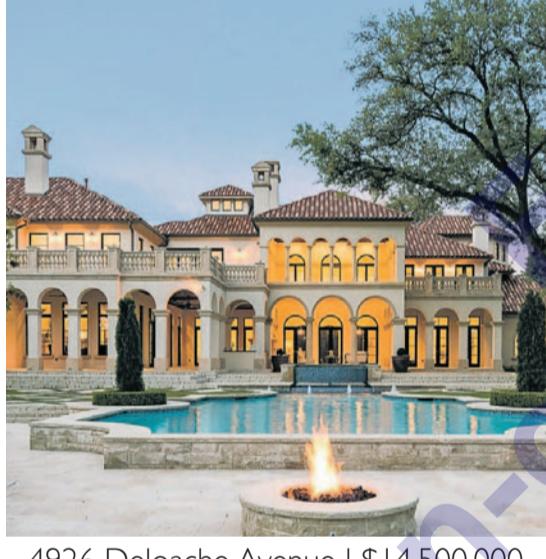
Perhaps that's why the celebrated English writer Rudyard Kipling believed that "God could not be everywhere, and therefore he made mothers."

The great American writer Mark Twain paid unique homage to his mother when he wrote: "My mother had a good deal of trouble with me, but I think she enjoyed it."

So, as Mother's Day quickly approaches and we ponder what to give that precious person in our lives — although I bet she will love that bouquet of flowers or brunch at that trendy restaurant — here's a gift idea: Just a big hug and a heartfelt, "Thank you, Mom. I love you."

After all: You wouldn't be you without her.


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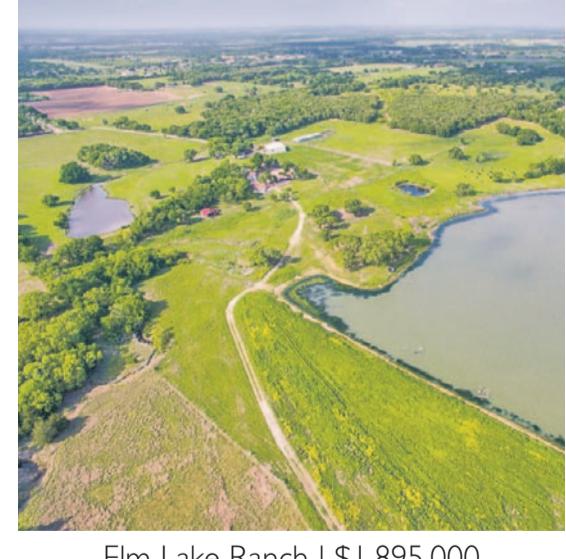
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MANSION

HOUSE CALL | GEORGE BOOTH

Living-Room Laughs and Puzzled Pets

The New Yorker cartoonist grew up observing the small-town Missouri life; his first drawing, at 3½, got a laugh

In 1943, when I was 17, my father and I traveled to nearby Nebraska to help build barracks for the Army. I went as a laborer and my dad as a carpenter. At some point, I misplaced my hammer.

The foreman was a squirt of a guy. He rushed up to me and began screaming and cursing about the hammer. I froze. My father, who was a good horseshoe player, was 30 yards away working on the porch. The foreman didn't let up. So my dad turned and swung his hammer and let it fly. It landed in the dirt at the foreman's feet. I picked it up. He got my father's message and never bothered me again.

My father, William, was a tough but loving guy. We lived in Fairfax, Mo., in the northwest corner of the state and 25 miles from Iowa and Nebraska. Fairfax had a population of 800 and was in the middle of farm country. We lived out on the north edge of town, on a road that ended in a local lover's lane.

My mother, Irma, was an excellent artist and single-panel cartoonist. She had gone to Stephens College in Columbia, Mo., where my parents met. She was a quarter Cherokee. I've always been proud of that. She also played piano and violin.

My mom encouraged me to

"COME ON, BOY!"

says
a child's voice.



George does not move.

draw. I drew my first cartoon when I was 3½ of a race car stuck in the mud. I thought it was funny, since race cars weren't supposed to get stuck. The cartoon convinced my mother that maybe I was a cartoonist. I drew all the time at home and in school.

My dad was an outstanding teacher and disciplinarian. He had attended West Point, and when he hollered people jumped. The school board appreciated him. They provided us with the house we lived in.

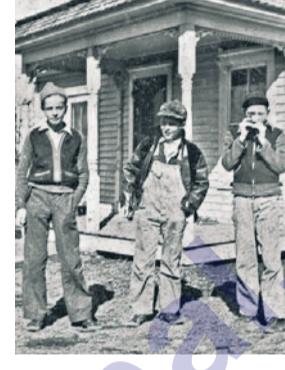
The house had one room—the living room—with a little kitchen attached on one side and a big bedroom on the other. We all slept there: my parents, my two

brothers and me. Water came from a pump out back and heat from coal stored in a shed. When I entered high school, the school board provided a larger house. It was two stories with a porch and a chicken coop in the back.

In 1944, I was drafted into the Marines. I was sent to the Pacific to join the 4th Marine Division. My first stop was Hawaii in early '45, just as guys were straggling back from fierce battles on Iwo Jima.

That September, when the war

PET PROJECTS George Booth in his Brooklyn home, above. Left, artwork from his book 'Here, George!' with Sandra Boynton. Below, Mr. Booth, center, with friends at his home in 1941.



ended, I was in Oahu waiting to be shipped home when a telegram arrived from Washington, D.C. It invited me to join Leatherneck magazine. Then a second telegram arrived adding that I had to re-enlist. So I did.

After my discharge in 1953, I moved to New York.

It was the center of cartooning then. I sold my first New Yorker cartoon in 1969.

Today, I live in Brooklyn with my daughter, Sarah, out of convenience. My studio is there and I'm closer to Manhattan. My wife, Dione, lives at our house in Stony

Brook, N.Y., but visits often.

I'm known for my cartoons of living-room life and the reactions of household pets. Over time, I've developed a passion for how dogs observe the people who love them.

Funny, I don't have a dog. Just two cats. But they do a similar kind of thing. If you make a comment, they look at you as if they have their own opinion. The best part is you don't have to walk them.

—As told to Marc Myers

George Booth, 91, is a New Yorker cartoonist whose work often includes pets reacting to household events. He has illustrated more than 10 books, including "Here, George!" (Little Simon), with Sandra Boynton.

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