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YEN 110.77

What's News

Business & Finance

Most of the top shale drillers in the U.S. spent more money than they made last quarter, largely due to bad bets hedging crude prices. **A1**

◆ **CBS** said its board voted to strip the Redstones of voting control, but the tally fell short of what the family believes is required for approval. **B1**

◆ **Wells Fargo** employees in a unit that handles business banking improperly altered information on documents related to corporate clients. **B1**

◆ **PayPal** said it agreed to buy European financial-technology startup iZettle for around \$2.2 billion. **B1**

◆ **Tesla** and a Chinese firm struck deals for lithium amid a rush by users to secure supplies to make batteries. **B1**

◆ **Walmart** and other big retail chains are getting a boost from the strong economy and recent store improvements. **B1**

◆ **Calpers** is considering a strategy of setting up funds to buy and hold private companies for the long haul. **B10**

◆ **The Dow** fell 54.95 points to 24713.98 despite upbeat earnings, as investors focused on trade tensions. **B11**

◆ **Kroger** agreed to raise its stake in Ocado to more than 6% and license technology from the British grocer. **B3**

◆ **Maersk** plans to cut back on capacity as freight rates fall and fuel costs rise. **B6**

◆ **Fox News** executive Suzanne Scott was named CEO of the cable channel. **B3**

◆ **Uber's chief product officer** said he is leaving the ride-hailing company. **B4**

World-Wide

◆ **Trump** acknowledged new doubts about the fate of his planned summit with Kim, as North Korea harshly criticized the U.S. and South Korea. **A1**

◆ **Lawmakers** looked set to advance a bill that would give the U.S. greater power to block deals between American and Chinese firms. **A1**

◆ **The Senate confirmed** Haspel as CIA director, making her the first woman to head the spy agency. **A4**

◆ **Trump claimed** that the FBI may have infiltrated his campaign with an "embedded informant." **A4**

◆ **Manafort's ex-son-in-law** pleaded guilty to federal criminal charges and is cooperating with authorities. **A4**

◆ **Arab allies** are pessimistic about a U.S. peace plan after the Gaza clashes and U.S. Embassy move to Jerusalem. **A6**

◆ **Trump's trade chief** said the U.S. is "nowhere near" a deal on Nafta, effectively brushing aside an offer from Ryan for more time. **A2**

◆ **Trump is pressing** Germany to drop support for a Russian gas pipeline in exchange for U.S.-EU talks on a new trade deal. **A7**

◆ **Macron and Merkel** ruled out actions that could put the EU and U.S. into a trade war over Iran sanctions. **A7**

◆ **Michigan State's board** signed off on a landmark sex-abuse settlement without a plan to pay, members said. **A3**

◆ **The Trump administration** said immigration judges may no longer administratively close cases. **A4**

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President Donald Trump hosted Chinese Vice Premier Liu He at the White House as negotiations continued over whether the U.S. would impose tariffs on billions of dollars of Chinese imports. The photo was tweeted by the president on Thursday.

Bill Targets Chinese Deals

Legislation seeks to tighten the vetting of investments involving foreign companies

By KATE O'KEEFFE

As President Donald Trump sought to forge a delicate China trade deal on Thursday, lawmakers from both sides of Congress looked set to advance a bill that would give the U.S. greater power to block deals between American and Chinese companies that could risk national security.

The legislative initiative is part of a complicated effort to

confront China on both economic and security issues, while also seeking Chinese cooperation on such matters as North Korea. On Thursday, Mr. Trump hosted Chinese Vice Premier Liu He as part of an effort to negotiate concessions in the face of U.S. threats to impose tariffs on up to \$150 billion in Chinese imports.

China, too, has been calibrating its responses, alternating between retaliatory threats and conciliatory gestures. China's antitrust division had delayed for months U.S. private-equity firm Bain Capital's \$18 billion deal for Toshiba Corp.'s memory-chip unit, but on Thursday the Japanese firm said regulators had allowed the deal to proceed.

China has yet to approve U.S. chip maker Qualcomm Inc.'s \$44 billion bid for NXP Semiconductors NV.

The Trump administration on Thursday seemed determined to continue putting pressure on China, with the president using harsh terms to

Tradeoffs

- ◆ U.S. lacks capacity to meet trade-deficit goal A2
- ◆ Trump presses Germany over pipeline A7
- ◆ Macron, Merkel back off on Iran A7

describe Chinese trade practices: "We have been ripped off by China," Mr. Trump said, speaking to reporters in the Oval Office. "That's not going to happen anymore."

The bill—which has prompted debate among lawmakers and U.S. businesses active in China—would affect both foreign firms seeking deals in the U.S. and American companies doing business abroad by tightening the processes for vetting inbound and outbound investment.

The congressional effort to strengthen U.S. defenses would expand both the remit and resources of the Committee on

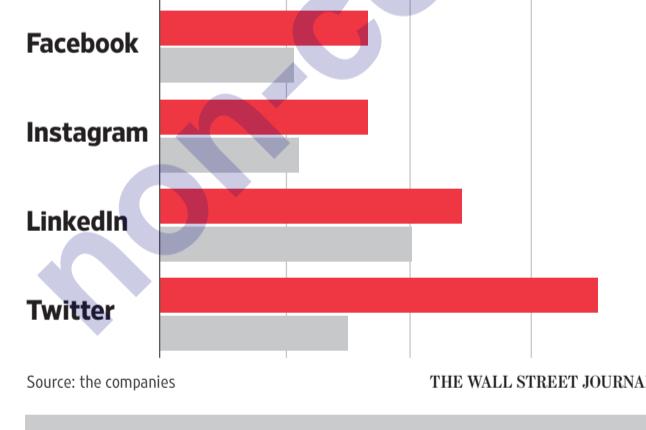
Please see DEALS page A2

Please see KOREA page A8

Privacy in So... Many... Words

READING MATERIAL: Companies that sell targeted ads are rewriting privacy policies to be clearer, but not shorter. **B4**

Privacy policy word count



Source: the companies

THE WALL STREET JOURNAL.

Hundreds of Cryptocurrencies Show Hallmarks of Fraud

Analysis reveals plagiarism, fake executives in offering documents

BY SHANE SHIFFLETT AND COULTER JONES

Hundreds of technology firms raising money in the fevered market for cryptocurrencies are using deceptive or even fraudulent tactics to lure investors.

In a review of documents produced for 1,450 digital coin offerings, The Wall Street Journal has found 271 with red flags that include plagiarized investor documents, promises of guaranteed returns and missing or fake executive teams.

"Jeremy Boker" is listed as a co-founder of Denaro, an online-payment project. In investor documents for a public offering in March, which claimed to have raised \$8.3 million, Mr. Boker boasted of his cryptocurrency startup's

"powerhouse" team. In his biography, he noted a "respectable history of happy clients" in consulting before he launched Denaro.

In fact, Mr. Boker's bio image was a stock photo, there is no evidence he exists and the rest of his team appears to be fictional, except for two freelancers who said they were paid by people unknown to them to market the project, the Journal found.

The principals behind Denaro couldn't be identified and attempts to reach the company went unanswered. The real person whose image was repurposed as Mr. Boker's turns out to be Jenish Mirani, a banker in Poland. Mr. Mirani, who had posted the photo on his personal website, said "it was really shocking" to

Please see COIN page A9

Less Majesty For William Impersonators

* * *
On eve of royal wedding, spotlight shifts to Harry

By MAX COLCHESTER

Simon Watkinson's reign as one of the U.K.'s leading Prince William look-alikes has, until now, been serene.

On a recent Sunday evening the 36-year-old doppelgänger sat on a sofa in a plush London hotel after entertaining a group of American air-conditioner sales reps. He listed his numerous career highlights. There was the mobbing by tourists outside Buckingham Palace, the trip to Australia to film a Chinese milk commercial and the time he was offered \$14,000 to do porn, which he turned down.

By genetic luck, the pretend heir to the British throne just

Please see PRINCE page A4

Shale Firms Struggle Despite Oil Boom

BY CHRISTOPHER M. MATTHEWS AND BRADLEY OLSON

American shale drillers are still spending more money than they are making, even as oil prices rise.

Of the top 20 U.S. oil companies that focus mostly on fracking, only five managed to generate more cash than they spent in the first quarter, according to a Wall Street Journal analysis of FactSet data.

Shale companies have helped propel U.S. oil output to all-time highs, surpassing 10 million barrels a day and rivaling Russia and Saudi Arabia. But the top 20 companies by market capitalization collectively spent almost \$2 billion more in the quarter than they took in from operations, largely due to bad bets hedging crude prices, as well as transportation bottlenecks, labor and material shortages that raised costs.

Many of the producers had a better start this year than at any point since 2014, when oil prices began a crash that the industry is fully recovering from only now. Still, the companies spent about \$1.13 for every \$1 they took in.

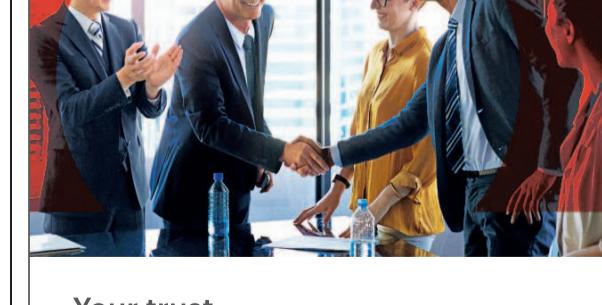
Oasis Petroleum Inc. spent \$3.27 for every \$1 it made in cash, while Parsley Energy Inc. spent almost \$2 for every \$1 it made in cash, according to FactSet.

While many shale operators have positive net income this year, many shareholders have begun paying closer attention to how much the companies are spending, as they seek to compel them to live within their means and begin to produce stronger returns.

Hedging played a big role in companies' underwhelming cash generation. Seeking stability after years of wild fluctuations in crude prices, many operators entered into derivatives contracts

Please see OIL page A4

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U.S. NEWS

Search Begins for Mass Grave Linked to 1887 Louisiana Massacre



HISTORY'S ECHO: Tulane University researchers use ground-penetrating radar equipment in hopes of finding where the bodies of 30 to 60 African-Americans were dumped after being killed by a white mob in Thibodaux, La., about 60 miles west of New Orleans.

U.S. WATCH

HAWAII

Kilauea Eruption Spews Ash Cloud

A pre-dawn eruption at the summit of Kilauea volcano on Hawaii's Big Island shot ash thousands of feet in the air and dusted surrounding areas, the start of a series of steam-driven explosions that scientists said are rare and pose little danger.

The last similar event happened in 1924, with bursts at the Kilauea summit ongoing for more than two weeks. The United States Geological Survey

sees a similar pattern this time.

Officials in Hawaii told residents in the island's east and south, where Kilauea sits, to stay indoors and when outside to wear masks to protect against the ash. Scientists said the accumulation of ash, which isn't toxic, has been very light so far and isn't expected to affect the whole island.

Powerful eruptions of lava at Kilauea two weeks ago and subsequent earthquakes have cracked major fissures into the ground in one district near the volcano, Puna.

—Nour Malas

HOUSING

Wealth Rises Among Older Borrowers

U.S. housing wealth is becoming increasingly concentrated among older households with high credit scores, according to a new report by the Federal Reserve Bank of New York.

Homeownership among younger borrowers and Americans with lower credit scores has been on the decline, as tight lending standards have made it difficult for them to tap credit. Household wealth has thus

moved away from this group.

"An increased amount of available home equity should make the household balance sheet more resilient in the event of a financial shock, though that may not be an option for lower-credit-score borrowers," said Andrew Haughwout, senior vice president at the New York Fed.

In 2017, 28% of borrowers who drew on their home equity were over 60, up from 13% in 2006. Only 25% of borrowers who extracted equity in 2017 were under 45, down from 41% in 2006.

—Sarah Chaney

No Quick Deal Seen on Nafta

By WILLIAM MAULDIN
AND SIOBHAN HUGHES

WASHINGTON—President Donald Trump's trade chief said Thursday the U.S. is "nowhere near" a deal on the North American Free Trade Agreement, effectively brushing aside an offer from House Speaker Paul Ryan for more time to conclude a deal that could be considered in Congress this year.

"The Nafta countries are nowhere near close to a deal," U.S. trade representative Robert Lighthizer said in a statement, citing "gaping differences" on intellectual property, agricultural trade, duty-free levels for shipments, labor rules, and other areas.

"We of course will continue to engage in negotiations," Mr. Lighthizer said. "And I look forward to working with my counterparts to secure the best possible deal for American farmers, ranchers, workers, and businesses."

All three Nafta countries—Mexico, Canada and the U.S.—had sought to wrap up a deal before the height of the U.S. mid-term season and before Mexico's presidential election on July 1. Mr. Ryan (R., Wis.), who had originally set Thursday, May 17, as a deadline, sought to offer Mr. Lighthizer and his Canadian and Mexican counterparts more time to reach a deal this spring that could still get a vote before a new Congress takes office in January.

"My guess is there's proba-

bly some wiggle room," said Mr. Ryan, suggesting that the original cutoff of Thursday was based on estimates of key procedural steps, including how long it will take the U.S. International Trade Commission to complete a required economic study.

And yet, Mr. Lighthizer's pessimistic assessment of the current state of Nafta negotiations came after Canadian Prime Minister Justin Trudeau told a New York audience that there is currently a "good deal



U.S. trade representative Robert Lighthizer said that 'gaping differences' remain.

on the table" on Nafta.

"It's right down to sort of the last conversations, and we know that those last conversations in any deal are extremely important," Mr. Trudeau said at the Economic Club of New York.

The Trump administration has long criticized Canadian officials for failing to engage in discussions and compromises on several proposals that U.S. officials hope will someday "rebalance" trade in North America.

Canadian officials say the Trump administration's "America first" proposals are unpopular among U.S. and Canadian businesses.

U.S. Lacks Capacity to Meet Trade-Deficit Goal With China

The White House is likely to fall well short of a plan to slash the trade deficit with China by half, in large part because

By Bob Davis
in Washington and
Lingling Wei in Beijing

cause U.S. farms and factories will find it hard to produce enough exports to meet that goal, trade experts say.

China's chief economic envoy, Liu He, is in Washington for talks with the Trump administration that began Thursday on the U.S. plan, which was presented during earlier talks in Beijing.

The eight-point plan's first goal: "China commits to work with Chinese importers" to reduce the U.S. trade deficit with China by at least \$200 billion by the end of 2020, according to a copy of the proposal.

DEALS

Continued from Page One

Foreign investment in the U.S. CFIUS is an interagency committee that reviews proposed foreign takeovers of U.S. businesses. It can advise the president to block them on national-security grounds.

The proposed legislation spells out CFIUS's authority to vet the purchase or lease of real estate near sensitive U.S. facilities, and its right to review any deal structured to evade its jurisdiction, such as transactions that use shell companies to obfuscate the would-be buyer's ownership, for example.

The latest version of the bill seeks to settle the question of how Washington would monitor the overseas transactions of U.S. companies. In a compromise, the revised bill, according to drafts circulated as recently as Wednesday night and reviewed by The Wall Street Journal, would have the government vet domestic and overseas transactions through separate processes.

Though the new rules would apply to many transactions involving foreign companies, the bill is particularly aimed at curbing certain Chinese deals. Critics have long singled out Chinese deals as posing disproportionate risks to national security because the companies may be directed and subsidized by the government of China.

The CFIUS bill has bipartisan congressional support and was earlier endorsed by the

Economists say trade deficits are caused by broader macroeconomic trends tied to how much a country saves and spends, not by changes in trade policy or exports of particular goods. Still, President Donald Trump has sought to manage trade flows to reduce the deficit and has sought China's cooperation in achieving that goal.

Even if the two sides could agree on items to target—they don't—and even if China cooperates by lowering import barriers, trade experts say the U.S. simply doesn't have the capacity to ramp up production enough to make the \$200 billion goal.

"The U.S. is operating at full employment. There isn't a tremendous amount of underutilized U.S. capacity," says Chad Bown, a trade economist at the Peterson Institute for International Economics.

The U.S. Treasury, which is running the negotiations, declined to comment.

Last year, the U.S. ran a \$375 billion merchandise trade deficit with China, and a \$337 billion shortfall when including the trade in services. Since the Beijing meeting, U.S. Treasury and Commerce officials have put together dozens of different purchase options for China.

The Chinese have their own list. Mr. Liu expressed willingness to work with the U.S. to reduce the trade gap, said officials briefed on the meetings, but didn't agree to meet the U.S. target.

Even big changes in exports are unlikely to reduce the trade gap by the amount the U.S. seeks, trade experts say.

For instance, the U.S. is pushing for a big increase in

Buying American

The Trump administration wants China to narrow the U.S. trade deficit by buying \$200 billion more in American goods and services each year. But U.S. industry may have trouble producing so much more.

U.S. exports to China, billions of dollars

■ Goods ■ Services



Source: U.S. Department of Commerce

purchases of Boeing Co. aircraft, which sell for \$250 million to \$300 million each. Last year, the U.S. exported \$16.3 billion in aircraft. But Boeing has 5,800 jets on order. Aircraft industry analysts say Boeing might possibly

work with its customers to shift orders and sell another 10 jets a year to China, which would boost exports by several billion dollars.

The U.S. also counts on a big increase in exports in liquefied natural gas. But so far,

the U.S. has only two LNG export facilities that are operational, with four more expected to come online by 2020.

Some agricultural products have more potential, though even those exports would fall well shy of the overall goal. Dermot Hayes, an Iowa State University agricultural economist, estimates that U.S. corn exports could jump from \$150 million to about \$10 billion annually within a few years if China vastly expanded its quotas and reduced its duties.

Not all U.S. exports under Washington's plan would be merchandise. The U.S. proposal anticipates between 25% and 50% of the export increase to be in services. U.S. officials, in particular, have pushed Beijing to lift restrictions on U.S. cloud-computing companies.

CORRECTIONS & AMPLIFICATIONS

that period.

The crossword puzzle that appeared in some editions Thursday repeated Tuesday's puzzle. The solution for Wednesday's puzzle appears below. Thursday's crossword can be found at WSJ.com/Corrections.



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U.S. NEWS

School-Discipline Plan Is Under Scrutiny

New policies try to halt gap in punishments between white and minority students

By MICHELLE HACKMAN

OKLAHOMA CITY—Amanda Rhodes, a first-grade teacher at Edwards Elementary School on this city's predominantly black northeast side, keeps an app on her touch-screen whiteboard with avatars of each student.

With a tap, she awards points to students who follow directions. One recent Thursday, the students had racked up so many points that their teacher paused her lesson for a dance break.

Across this sprawling urban school district, teachers and administrators are overseeing a controversial experiment to promote positive behaviors as part of a drive to cut the use of heavy-handed punishments such as suspensions.

"In the past, the kids were sent home a lot," said Jaime Moten, a mother of three children at Edwards. "Now if they throw a pencil, it's not the end of the world."

Oklahoma City is one of dozens of districts across the country compelled to adopt the new approach in recent years after the Obama administration directed schools to ensure their discipline codes don't land disproportionately on black and Hispanic students.

But the method is now under scrutiny as educators raise concerns about the possible unintended consequences of drastically curbing punishment.

Some teachers and administrators say it has handcuffed



Students at Edwards Elementary School in Oklahoma City, a district where suspensions for black students have fallen by 43% in two years.

them by imposing what amounts to discipline quotas and forcing schools to keep troubled students inside classrooms. Education Secretary Betsy DeVos is weighing whether to scrap the Obama-era policy, a decision she could make within weeks.

Civil-rights advocates have argued the tough federal guidelines were necessary to correct longstanding imbalances. Nationally, black students make up about 15% of the total student population, but they received 39% of total

out-of-school suspensions and make up 31% of total school arrests, according to federal civil-rights data collected by the Education Department.

In Oklahoma City, the school district opted to make changes in 2015 after a broad investigation by the Education Department's Office for Civil Rights found stark disparities in the way black and white students were being treated: more than a third of black students here were suspended at least once, according to federal civil-rights data, compared

with 15% of white students.

The changes center on two initiatives: a new discipline code with prescribed penalties for specific infractions, like disrespecting a teacher; and rewards for good behavior.

At Edwards Elementary, kindergartners who once ran around the lunch room now sit in neat rows at long tables and raise their hands when they want to throw out lunch trays. Children march down hallways with their arms crossed and cheeks puffed, a technique teachers call "hugs and bubbles"

that teaches students to remain silent and keep their hands to themselves.

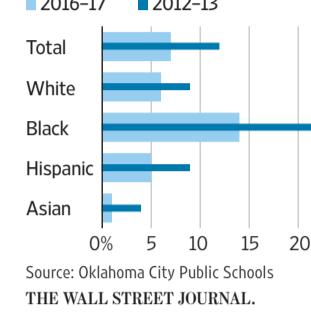
Administrators say the changes help curtail negative behaviors before they spiral into offenses warranting punishment.

David Chandler, the principal at Douglass Middle school on Oklahoma City's northeast side, said he once believed suspensions would themselves curtail more bad behavior. But in the eight years he has worked as an administrator, he witnessed what students do

Discipline Disparity

Black students in the Oklahoma City School District were twice as likely to be given out-of-school suspensions than their white counterparts.

Percentage of OKC School District students given out-of-school suspensions



Source: Oklahoma City Public Schools

THE WALL STREET JOURNAL.

with the lost time: some pick up drug use; others, looking to supplement meager family incomes, begin selling drugs.

In the two years the new discipline codes have been in place, they have had the intended effect: the Oklahoma City school district has seen suspensions decline by 40%, with the rate for black students falling by 43%.

But teachers, who are most directly charged with carrying out the changes, have expressed widespread unease.

The desire to cut back on suspensions has created downward pressure, they say, not to report students who are misbehaving or disrupting class. That gives teachers little recourse when children act out, they say.

"It ties our hands in the classroom," said Torie Shoecraft, a kindergarten teacher at Nichols Hills Elementary school.

Trick of The Ear: 'Yanny' or 'Laurel'

By DANIELA HERNANDEZ

It's mind-bending: Several days into an online debate, there still isn't a clear scientific consensus as to why some people hear "Yanny" and others "Laurel" when they listen to a now-viral clip posted online.

For about a week, the debate has engulfed the internet as self-proclaimed Yannies and Laurels battle over whose ears—and brains—are right. People have posted memes and gifs featuring couples fighting over misspoken names, wizards casting spells, a fed-up Jack Torrance from the horror film "The Shining," and the singer Yanni to express their confusion and disbelief that others could experience the same thing differently. The scientific theories as to what is going on are also plentiful.

Scientists agree that ambiguity plays a role. The recording is low quality, which means the brain is hit with ambiguous stimuli. When that happens, scientists say, the brain rushes in to fill the gaps. That patching depends on experience.

What is going on in the Yanny v. Laurel scenario is still to be determined.

The origin of the clip is unclear, but the debate took off after a Twitter user posted a quiz asking readers to vote, spurring more than 80,000 retweets—and some questions for scientists. This has happened before. In February 2015, a similar debate raged online over the color of a striped dress. Some saw it as black and blue, others as white and gold.

The Yanny-Laurel sound bite is the latest example of a so-called sensory illusion, a type of mind trick played on one or more of the five senses, say several psychologists. One example is the phantom pain amputees sometimes feel in their missing limbs. Psychologists are interested in such illusions because they can provide insights—not just about how brains generally process information, but about popular culture and even individuals.

People subconsciously bring "a lot of themselves" to what they hear, says Diana Deutsch, a psychology professor at the University of California, San Diego.

◆ Yanny or Laurel? Listen to the audio at WSJ.com

University Settled, but How Will It Pay?

Settlement Comparison

Michigan State University

Settlement date: May 2018

Convicted abuser: Sports medicine doctor Larry Nassar

Note: The \$425 million Michigan State figure is payments to victims and doesn't include \$75 million for potential future victims who come forward.

*When first settlements related to the case were announced. †Figures as of June 2017.

Source: staff reports

Total payout

\$425 million

Victims

332

Payout per victim

\$1.3 million

Penn State University

Settlement date: July 2013

Convicted abuser: Asst. football coach Jerry Sandusky

Total payout

\$100 million

Victims

33†

Payout per victim

\$3.0 million

graded Michigan State's credit rating earlier this month by one notch—to Aa2—and maintained a negative outlook. When the firm put Michigan State on review for downgrade in January, it noted that the school had "undisclosed" insurance coverage and \$1.5 billion in unrestricted monthly liquidity at the end of fiscal 2017, which could be used for legal fees and restitution.

Diane Viacava, vice president and senior credit officer at Moody's, said the school does have substantial unrestricted money it could access, if it chose to do so, and with an Aa2 credit rating, tapping debt markets wouldn't be prohibitively expensive.

Michigan State was already in a tight fiscal spot well before the Nassar settlement. In 2011, the Michigan Legislature enacted steep cuts to state aid for higher education, decreasing Michigan State's share from \$283.7 million in its 2011 fiscal year to \$241.1 million in 2012, according to figures provided by the university.

Police Move to Make Their Radio Traffic Private

By ZUSHA ELINSON

A report of a suspicious person crackled from John Messner's RadioShack police scanner, one of two he keeps at his home in Knoxville, Tenn.

When an officer was heard yelling "Shots fired!" minutes later, Mr. Messner knew it was time to go. The 52-year-old construction worker and photographer grabbed his cameras and raced to the scene 3 miles away, where a suspected burglar was shot by police.

"When I got there, the guy was still on the ground, they hadn't put him in the ambulance yet," said Mr. Messner of the November incident. "It didn't look like he was dead, but he was definitely hit."

Mr. Messner snapped pictures and posted them on his Knoxville Crime Facebook group, which has 94,000 members in a city of 186,000. They come to see photos, read his live updates on police chases and burglaries that he gets from the police scanner, and discuss neighborhood crime issues.

Social-media groups like Knoxville Crime are one reason that Knoxville police officials say they will begin encrypting police radio communications in August, making it impossible for the public—and Mr. Messner—to listen in live. The move

comes as more police departments around the country are seeking to shield their live radio communications, now easily accessible via smartphone apps. Police say the effort will keep officers safe and bad guys from finding out what they're doing.

"When you're putting out information that only a suspect and a victim and an officer knows, then all of the sudden you have someone put that on social media, that takes your advantage away," said Darrell DeBusk, a Knoxville police spokesman.

Earlier this year, the Las Vegas Metropolitan Police Department encrypted its radio traffic, alleging that bad guys "monitor police radio frequencies in order to better facilitate their crimes and gather intelligence about the whereabouts of police officers." Pueblo, Colo., police blocked their scanner traffic recently, citing suspects using scanner apps to avoid officers.

Local media still has access to the live radio transmissions in Las Vegas—police allow them to purchase their own radios. In Knoxville, the radio traffic will be posted after a one-hour delay, Mr. DeBusk said.

These moves have rankled scanner enthusiasts who range from people curious about police activity in their neighborhood to modern-day Weegees,

the New York City freelance photographer known for his raw crime-scene photos. Many scanner buffs are police supporters who want to help solve crimes, making the decision to go dark a difficult one, police officials say.

"It's a tough choice because many of the pro-police people out in the community who support their local police get that way because they listen to their

police on these scanners or phone apps," said Richard Myers, executive director of the Major Cities Chiefs Association.

Some police departments have found a solution by using encrypted channels for more sensitive work, such as a SWAT team readying for a raid, while keeping the more mundane police patrol work on the publicly available channel, he said.

In Colorado, a push to en-



Police-radio transmissions are accessible via apps as well as scanners.

crypt police radio traffic inspired a bill backed by scanner enthusiasts this year that would have banned encryption, except for sensitive situations. The bill failed with strong law-enforcement opposition.

"These are government agents working for the taxpayers, and I think citizens have the right to know what they're doing," said Robert Wareham, an attorney who helped draft the bill.

In Knoxville, Mr. DeBusk, the police spokesman, said the prevalence of smartphone apps that broadcast police communications, such as Broadcastify, has made it easier for criminals to listen in.

"You've always had people that had scanners, but it was not as common as the smartphone apps," Mr. DeBusk said.

"We actually have arrested people, they've had the smartphone on them and we could hear our own dispatchers, the sound coming from their smartphone."

Lindsay Blanton, the CEO of Broadcastify's parent company, RadioReference.com, called this an "overdone complaint." The approximately 200,000 daily unique listeners tuning in to Broadcastify's 6,600 feeds typically hear police communications on a 45-second to 3-minute delay, and the company bans sensitive content, he said.

U.S. NEWS

Senate Confirms CIA Pick Haspel

BY BYRON TAU
AND NANCY A. YOUSSEF

WASHINGTON—The Senate confirmed Gina Haspel as the director of the Central Intelligence Agency, making her the first woman to lead the nation's premier spy organization.

In a 54-45 vote on Thursday, the Republican-controlled Senate confirmed her to the CIA's top job. Ms. Haspel, 61 years old, is only the second person to lead the CIA after spending almost an entire career undercover. She rose through CIA ranks from junior case officer to hold senior jobs in counterterrorism and covert operations.

Her confirmation battle to be President Donald Trump's second CIA chief wasn't without drama. Several prominent Republicans, including Sen. John McCain of Arizona, urged that she be rejected over a number of episodes in her three-decade CIA career.

Six Democrats supported her, while two Republicans



ALEX BRANDON/ASSOCIATED PRESS

Gina Haspel wouldn't disavow the CIA's post-9/11 interrogation program at a hearing last week, but later took a stand against it.

voted against her nomination. Mr. McCain didn't vote as he is home in Arizona recuperating from cancer treatment.

Mr. McCain, who was tortured as a prisoner of war in Vietnam, said her involvement in a controversial program of interrogations run by the agency after the Sept. 11, 2001, terrorist attacks disqualified

her. Other senators said that her authorship of a memo that led to the destruction of 92 videotapes of those interrogations raised concerns.

During her confirmation, many Democratic lawmakers also voiced frustration over the limited amount of information available about her past and long CIA career, a restriction

the agency said was necessary to protect intelligence sources and methods.

Ms. Haspel takes over from Mike Pompeo, whom Mr. Trump tapped as secretary of state when he fired Rex Tillerson. Ms. Haspel has been the agency's deputy director and acting director.

She inherits an agency that Mr. Trump himself has publicly criticized as part of his wider condemnation of the U.S. intelligence community's finding that Russia attempted to boost him over his Democratic rival in the 2016 election. The CIA signed on to that assessment.

The major opposition to Ms. Haspel's nomination stemmed from her involvement in an interrogation program many critics say amounted to torture. At the time of the program in the early 2000s, she held several senior positions in counterterrorism operations.

The Democratic-run Senate Intelligence Committee in 2014 detailed the treatment of detainees in CIA custody under

that program, describing them as being imprisoned in boxes, chained to walls and waterboarded, which simulates drowning, to the point of unconsciousness.

Ms. Haspel initially resisted disavowing the program, saying in her public confirmation hearing only that the agency was ill-prepared and vowing never to restart such a program. In a letter this week, she expanded upon her views, saying that the agency shouldn't have undertaken the program.

Ms. Haspel is a native of Ashland, Ky., the daughter of an airman who raised her all around the world as he served at various bases. She graduated from the University of Louisville with a degree in languages and journalism.

She worked as a case officer in the late 1980s and early 1990s in Africa and Europe. After the collapse of the Soviet Union, Ms. Haspel became an intelligence-operations officer and then rose up the ranks in the agency's Russia operations.

Wider Net Cast in Immigrant Arrests

BY LAURA MECKLER

WASHINGTON—The Trump administration said Thursday that immigration judges may no longer administratively close cases, a way of letting someone avoid deportation, and released data showing that it is arresting far more illegal immigrants without criminal convictions than was true in the Obama administration.

Together, the announcements show how the administration is rolling back Obama-era rules and policies that allowed for discretion in who is targeted for removal from the U.S.

The first announcement from Attorney General Jeff Sessions said immigration judges don't have the authority to administratively close cases and directed them to stop doing so. Administrative closures take deportation cases off the courts' crowded docket and allow illegal immigrants to remain in the country even though they haven't proven a legal right to do so.

They have typically been used in cases where the immigrant has strong ties to the U.S. and no criminal record.

Administrative closures were common under the Obama administration but have been much less so under the Trump administration, as prosecutors are no longer supporting the move.

"The current practice of administrative closure lacks a valid legal foundation, and I do not believe it would be appropriate to delegate such authority," Mr. Sessions wrote in a case before the Justice Department's Board of Immigration Appeals that he assigned to himself to decide.

In the second development, the Immigration and Customs Enforcement agency released data showing that one in three people arrested by ICE agents in the first half of fiscal 2018 had no criminal convictions, a result of the Trump administration's wide net as it pursues illegal immigrants.

During the final years of the Obama administration, in fiscal 2015 and 2016, more than 85% of people arrested by ICE had criminal convictions. But that share has fallen as the Trump administration targets a much wider group of people, the data showed.

ICE priorities for arrest now include anyone charged or suspected of a crime, as well as those convicted. The agency also targets people who have deportation orders on their records.

Beyond that, the agency has made clear that anybody living in the U.S. without authorization is subject to arrest and deportation.

The new ICE data cover the first half of fiscal year 2018, which began on Oct. 1. In that period, nearly 80,000 people were arrested by ICE, about the same number in the second half of 2017. Of those, nearly 67% had criminal convictions and about 33% didn't.

Of those arrested by ICE without convictions on their records, more than half had been charged with a crime. In fiscal year 2016, ICE arrested 110,104 people, and 87% of them had criminal convictions.

Trump Claims FBI 'Spied' on His Campaign

BY SADIE GURMAN

An assertion by President Donald Trump on Thursday that federal investigators may have infiltrated his campaign added fuel to a battle between the Justice Department and House Republican lawmakers who want access to highly sensitive materials from the FBI's Russia investigation.

Mr. Trump didn't provide evidence for his claim on Twitter that "word seems to be coming out" that the FBI "spied on the campaign with an embedded informant," an action he wrote would be "bigger than Watergate."

The Justice Department and the Federal Bureau of Investigation both declined to comment.

Tweet adds fuel to Nunes push for access to sensitive materials in the Russia probe.

ment on the matter or on Mr. Trump's tweet.

Former law-enforcement officials said there would be a high bar for using informants in a probe involving a presidential campaign.

Multiple sets of FBI and Justice Department rules govern the use of informants, and there are even stricter rules on planting an informant in an organization such as a campaign. That would be highly unusual and require approval from the highest echelons of the Justice Department, whose employees are barred from using their official authority to interfere with election outcomes, former FBI officials said.

Informants can be used only for law enforcement or foreign intelligence reasons, said David Kris, former head of the Justice Department's national security division.

Any political use "is flatly prohibited," Mr. Kris said.

Meanwhile, the New York Times reported Wednesday that a government informant met with two of Mr. Trump's then-campaign aides in 2016 as part of an initial investigation of possible Russian ties to the campaign.

Last week, Rep. Devin Nunes (R., Calif.), chairman of the House Intelligence Committee, also sent Attorney General Jeff Sessions a subpoena for documents related to "an individual" that appears to refer to an informant.

Mr. Nunes says his request—along with others he has made for material related to the Russia probe—is part of Congress' constitutional oversight of the Justice Department. He has threatened to hold Mr. Sessions and his deputy, Rod Rosenstein, in contempt if they fail to comply.

Democrats contend that demands for internal investigative documents go far beyond appropriate oversight, and that Mr. Nunes's actual goal is to harm the Russia investigation, which has been led since May 2017 by special counsel Robert Mueller.

Despite a willingness at times to turn over sensitive information about politically charged investigations, the department has resisted Mr. Nunes's latest demand. Officials have said revealing it could risk the individual's life, hurt the inquiry and jeopardize relationships with intelligence officials worldwide.

FBI Director Chris Wray indirectly addressed the issue this week at a Senate hearing, in response to a question about the pressure the FBI is getting from members of Congress. "The day that we can't protect human sources is the day the American people start becoming less safe," he said.

"Human sources in particular, who put themselves at great risk to work with us, have to be able to trust that we're going to protect their identities."

—Aruna Viswanatha contributed to this article.



MADISON McGAW/BILLY FARRELL/AGENCY SHAWN THEW/EPA/REV SHUTTERSTOCK

Manafort's Ex-Son-in-Law Pleads Guilty and Cooperates

BY MICHAEL ROTHFIELD
AND ERICA ORDEN

A former son-in-law of President Donald Trump's ex-campaign chairman pleaded guilty to federal criminal charges in a sealed proceeding in California in January and is cooperating with federal investigators, people familiar with the matter said.

Jeffrey Yohai, who until last year was married to one of Paul Manafort's daughters, pleaded guilty to conspiracy charges in the Central District of California relating to real-estate loans on properties in New York and California, one of these people said. Mr. Yohai invested with Mr. Manafort on real-estate deals in both states, public records show.

Mr. Yohai's current attorney couldn't be reached. His former attorney declined to comment.

Mr. Yohai has met with investigators for special counsel Robert Mueller, who has brought charges against Mr. Manafort as part of his investigation into alleged Russian meddling in the 2016 presidential election, one of the people familiar with the matter said.

In addition to the conspiracy charges, Mr. Yohai also pleaded guilty in California in connection with misrepresenting his income and assets to obtain an American Express "Black Card" with no credit limit, and then running up charges he couldn't repay, one of the people familiar with the matter.



Jeffrey Yohai, former son-in-law of Paul Manafort, top, has met with special counsel Robert Mueller's investigators.

Mr. Yohai has also met with prosecutors in recent months from the New York attorney general's office as part of a probe by that office, which has been investigating Messrs. Manafort and Yohai, according to people familiar with the matter.

In addition to the conspiracy charges, Mr. Yohai also pleaded guilty in California in connection with misrepresenting his income and assets to obtain an American Express "Black Card" with no credit limit, and then running up charges he couldn't repay, one of the people familiar with the matter.

Investors remain broadly hopeful that shale companies' performance will improve in 2018 due to rising oil prices and global demand. But concerns about the companies' ability to manage expenses linger.

"These companies have done well this year and they are saying the right things," said Tyler Rosenlicht, a senior vice president at Cohen & Steers, which manages about \$60 billion in assets. "But a lot of investors were so burned down in the past that there will be a longer pause before they feel fully comfortable again."

EOG Resources Inc., the

rest of 2018, energy consultant Wood Mackenzie estimates that hedging strategies would reduce annual revenue by an average of 7% for six companies focused on the Permian basin.

Shale producers failed to generate cash even as one of their primary obstacles to profitability in past years, oil-field-services costs, rose only modestly.

While trucking and labor shortages in the Permian are already vexing many companies, some costs related to drilling contractors have increased by 15% or less because rates were locked in last year when oil prices were low. But those costs could climb further later this year, analysts say.

Shale companies' profitability may also be threatened by rising costs for the immense amounts of sand and water needed for fracking. Modern fracking jobs now require 500 tons of steel pipe, enough water to fill 35 Olympic swimming pools and enough railcars filled with sand to stretch for 14 football fields, according to Rice University's Center for Energy Studies.

Many companies may be forced to choose between hitting production targets, and promises to investors to keep spending in check, said James West, an analyst at Evercore ISI.

"Service pricing is going to hit them like a brick wall," he said. "I'm personally not convinced [they will] stick to capital discipline. In their heart of hearts, they just want to grow."

OIL

Continued from Page One

tracts in late 2017 that effectively ensured they could sell some of their 2018 output for \$50 to \$55 a barrel. Now that prices have risen to more than \$70 a barrel, many are failing to capture the value of the rally. WPX Energy Inc. reported an adjusted net loss of \$30 million last quarter, which it said was driven by \$69 million in losses on its hedges due to higher oil prices.

Some companies are already adjusting their strategies because of higher oil prices. Parsley Energy, which is focused on the Permian Basin, the oil field in Texas and New Mexico that is currently the center of U.S. shale-drilling activity, hedged most of

its 2018 production. It plans to change that going forward, and expects to generate more cash relative to spending in coming quarters.

"Early signs of labor tightness motivated Parsley Energy to increase drilling and completion activity significantly last year when rigs and crews were easier to come by," said Parsley Chief Executive Bryan Sheffield. "[N]ow that we are operating at a steady development pace, we should continue to generate increasing cash flow."

Continental Resources Inc., which is primarily active in shale formations in North Dakota and Oklahoma, didn't hedge its oil production for 2018. It raked in almost \$258 million in cash after expenses in the first quarter, best among its peers.

If U.S. crude prices stay at about \$70 a barrel for the

Cash Gusher

Shale companies are still spending more than they are making, despite rising oil prices.

Oil producers' quarterly free cash flow*



*For top 20 U.S. companies focused primarily on shale

Source: WSJ analysis of FactSet data

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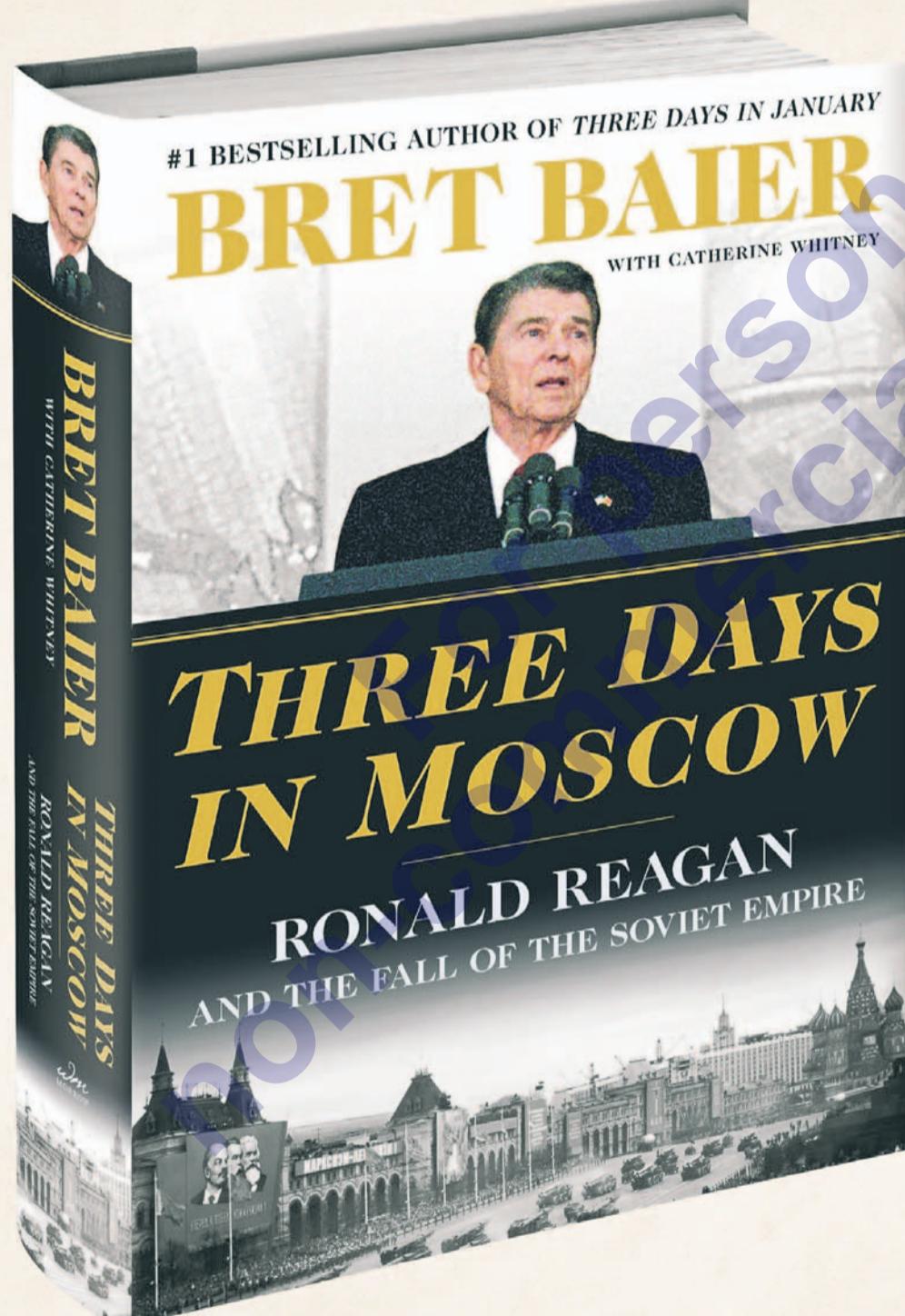
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WORLD NEWS

Mideast Turmoil Complicates Peace Bid

Arab allies say embassy move, Gaza unrest make it harder to back U.S. effort

The Trump administration's still-secret Middle East peace proposal is running into headwinds after deadly clashes at Israel's border fence with the

By Felicia Schwartz
and Dov Lieber in Tel Aviv and Margherita Stancati in Beirut

Gaza Strip and the move of the U.S. Embassy to Jerusalem rattled Arab governments who could help bring the Palestinians to the negotiating table.

The document—months in the works and mostly finished—lays out what the U.S. sees as key steps to take toward peace between the Israelis and Palestinians. It offers proposals to address disagreements over borders, security and refugees, U.S. officials said, nudging the two sides toward what President Donald Trump has described as “the ultimate deal.” The latest round of negotiations during the Obama administration collapsed in 2014.

“Our role is not to impose a deal on either side. Our role is to come up with a plan that we think is realistic. Our role is to come up with a plan that



Riyad Al Maliki, Palestinian delegate to the Arab League, joined talks about the U.S. Embassy move to Jerusalem and the Gaza clashes.

don't expect to release the plan before the end of Ramadan, which begins this week and lasts until mid-June.

Tensions in the Gaza Strip could remain high. The Islamist movement that rules Gaza, Hamas, has slated June 5 as the date for a new round of protests. The date coincides with the start of the 1967 war, when Israel captured East Jerusalem from the Jordanians.

In the protests on Monday, Hamas had urged demonstrators to storm the fence, and some hurled Molotov cocktails and flew kites that had been set on fire. The Israeli military responded with live fire, killing more than 60 people.

The Gaza violence, coupled with the embassy move, has caused enough consternation to force Arab governments into the awkward position of criticizing a U.S. administration that has mostly moved in line with their strategic interests, namely in pushing back against the regional expansion of Iran and its proxies. The events have been a wake-up call, said Ali Shihabi, who is close to the Saudi government and is the founder of the Arabia Foundation, a Washington-based think tank.

“It drives home to Saudi leaders that U.S. politicians have little regard for their sensitivities and domestic political requirements when U.S. domestic politics are at stake,” he said.

we think is fair,” a senior Trump administration official said. “Everyone should recognize that the talking points from the last 70 years have not achieved peace.”

But following the U.S. decision to move the embassy to Jerusalem from Tel Aviv, America's Arab allies have become increasingly pessimistic that the peace effort will work.

On Thursday, the foreign ministers of the Arab League's 22 member nations met to address the embassy move and Monday's clashes at the fence.

The group released a resolution that reaffirms the Arab League's commitment to East Jerusalem as the capital of a future Palestinian state.

“This decision is a step backwards in the efforts to

push the peace process,” Saudi Arabian Foreign Minister Adel al-Jubeir said at the meeting, referring to the embassy move.

A second senior Trump administration official played down the impact of an Arab League resolution. “Thirty years of Arab League resolutions have not brought peace,” the official said.

American officials have

been looking for the right time to present their plan. The embassy move—which Arab allies such as Saudi Arabia and Egypt lobbied against—has made that harder. In private, Saudi Arabia and the United Arab Emirates, another U.S. ally, warned the move would further destabilize the Middle East, a person familiar with the matter said.

Now U.S. officials said they

Faraway ISIS Branches Grow as Group Fades in Syria, Iraq



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

of foreign fighters. “For now, it is really in the peripheries that everything happens,” said Prof. Mathieu Guidere, an expert on Islamic extremism at the University of Paris VIII. “The peripheral branches of Islamic State have become much more important and much more active than its original central organization.”

Last year, U.S.-backed campaigns by the Iraqi government and by predominantly Kurdish fighters seized Islamic State's two main cities of Mosul and Raqqa, liberating a territory that once spanned the landmass the size of Britain.

The only remaining areas controlled by Islamic State there are near al-Bukamal on Syria's border with Iraq and in a handful of other isolated pockets in Syria.

While many of the thousands of foreign fighters who flocked to Syria and Iraq died on the battlefield or were captured, a significant number have managed to return to their countries—or, in some cases, moved to other battlefields.



A suicide bomber targeted a church in Surabaya, Indonesia, this week.

gated churches in Surabaya, Indonesia.

In Afghanistan, where a brutal Taliban insurgency has been trying to topple the Western-backed government in Kabul since the 2001 U.S.-led invasion, the rise of Islamic State brought a new level of carnage to the conflict.

The movement's regional affiliate, Islamic State-Khorasan, or ISIS-K, has unleashed particularly deadly attacks, deliberately targeting civilians and particularly seeking to massacre Shiites.

(While past Taliban attacks have also caused large civilian casualties, the Taliban—who portray themselves as Afghanistan's legitimate government and who want to be seen as such by the country's neighbors—insist that they seek to target only government and foreign-related targets.)

In West Africa, meanwhile, a new area of operations for Islamic State has emerged in the Sahara, along the borders of Niger and Mali. There, a new affiliate, the “Islamic State in the Greater Sahara,” has ab-

sorbed members of several militant groups that operated there for years, including some that had been associated with al Qaeda.

The affiliate claimed, among others, the attack that killed four U.S. service members in Niger in October. The pace of attacks has become so high that France and its regional allies are creating a new military force, G5 Sahel, to counter the group. “It is the newest and the most active area for Islamic State,” said Prof. Guidere.

In Syria and Iraq, too, conditions are gathering for an Islamic State attempt to spring back, in a different form. In both nations, the forces that once fought against it have since turned on each other, with the campaign against the extremist group losing steam.

“One chapter of ISIS has finished, and another is beginning,” said Hassan Hassan, a specialist on Islamic State at the Tahrir Institute for Middle East Policy in Washington. “Their resurgence is coming sooner than expected.”

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WORLD NEWS

Macron, Merkel Back Off On Iran

BY LAURENCE NORMAN

SOFIA, Bulgaria—French President Emmanuel Macron and German Chancellor Angela Merkel ruled out actions that could put the European Union and the U.S. into a trade war over Iran sanctions, laying bare the limits of Europe's ability to salvage the 2015 nuclear deal.

European leaders have pledged to abide by the agreement, which lifted most international sanctions on Tehran in exchange for strict but temporary limits on Iran's nuclear activities.

They are hoping to keep economic benefits flowing to Iran to encourage it to stick by its commitments under the deal despite President Donald Trump's withdrawal from the accord last week.

At a summit in the Bulgarian capital, EU officials on Wednesday evening laid out to the bloc's leaders measures they could take to encourage trade and investment for Iran despite the renewed threat of U.S. sanctions on foreign firms that do business there. This comes as European companies, such as French oil giant Total SA, have warned they may scale back their Iranian business plans.

However on Thursday, Mr. Macron excluded steps that would seriously worsen tense trade ties between Washington and Brussels. The U.S. has threatened to end a temporary tariff exemption in June that the Trump administration has given the EU on exports of steel and aluminum.

Mr. Macron said he wouldn't support retaliation against U.S. companies even if European firms are hit by U.S. sanctions.

Earlier Thursday, Ms. Merkel, like Mr. Macron, welcomed options presented by the European Commission, the EU's executive arm, to maintain trade with Iran.

U.S. Urges Germany to Drop a Deal

BY BOJAN PANCEVSKI

BERLIN—President Donald Trump is pressing Germany to pull the brakes on a major gas deal with Russia as the price for avoiding a trans-Atlantic trade war, German, U.S. and European officials said.

The officials said Mr. Trump told German Chancellor Angela Merkel in April that Germany should drop support for Nord Stream 2, an offshore pipeline that would bring gas directly from Russia via the Baltic Sea. This would be in exchange for the U.S. starting talks with the European Union on a new trade deal.

The White House pressure reflects its hard-ball tactics on trade, moves that have contributed to rising tensions between Europe and the U.S. and raised fears in export-dependent Germany of a tit-for-tat on tariffs that could engulf its car industry.

"Donald Trump is a deal maker...there is a deal to be made if someone [in Germany] stood up and said 'Help us protect our auto industry a little bit more, because we're great at it and we're going to help you on Nord Stream 2,'" said one U.S. official, who was present at the April meeting between Ms. Merkel and Mr. Trump.

Raising the pressure further, Sandra Oudkirk, a senior U.S. diplomat, told journalists in Berlin on Thursday that as a Russian energy project the pipeline could face U.S. sanctions, putting any company participating in it at risk.

The Kremlin shot back im-

mediately as spokesman Dmitry Peskov called the U.S. efforts "a crude effort to hinder an international energy project that has an important role in energy security."

He added: "The Americans are simply trying crudely to promote their own gas producers."

Ostensibly, Washington op-

poses the pipeline because it

would make Ukraine—currently

the main transit route for Rus-

sian gas headed west—and



Segments for the Baltic Sea pipeline are lifted for loading onto a ship in Mukran, Germany.

issues," the White House official said.

Mr. Trump has publicly criticized the Nord Stream 2 pipeline, saying at a meeting with Baltic State leaders at the White House this year that "Germany hooks up a pipeline into Russia, where Germany is going to be paying billions of dollars for energy into Russia...That's not right."

Ms. Oudkirk denied that Washington was opposing Nord Stream 2 in order to facilitate sales from the U.S.

A U.S.-German agreement on Nord Stream 2 may not be enough to resolve trans-Atlantic trade tensions. For trade talks to start, members of the EU would have to give the EU bureaucracy a mandate to start formal negotiations with Washington and not all members are interested in a new deal.

Germany's pipeline plan has long been controversial with Ukraine, as well as several EU countries on the bloc's eastern edge who fear it gives Russian President Vladimir Putin power over gas deliveries—which Berlin has so far largely ignored.

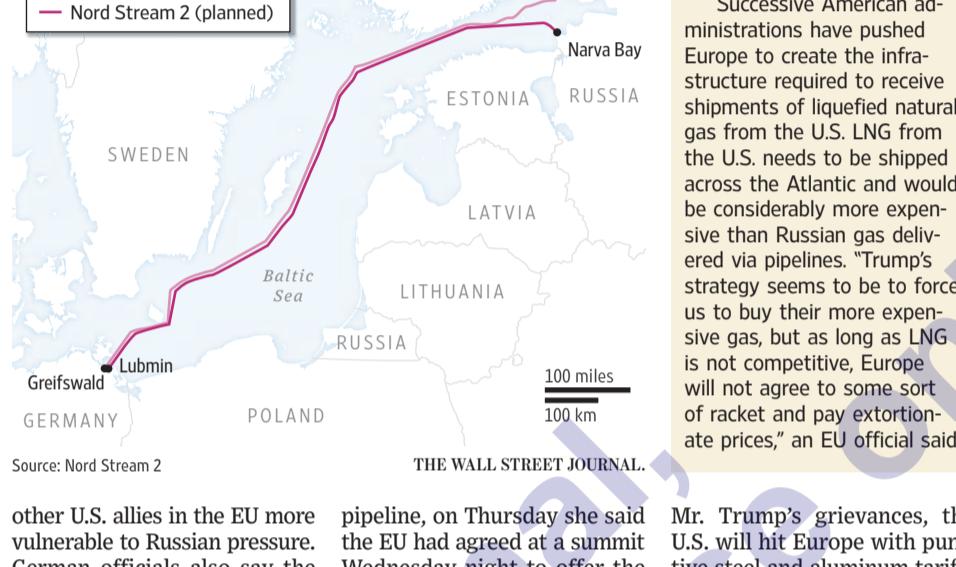
But with fresh pressure from Washington and with Germany's lucrative U.S. trade relationship at risk, Ms. Merkel is traveling to Russia on Friday to meet Mr. Putin in a bid to broker a compromise that would satisfy the U.S. and her European partners.

She will ask Mr. Putin for a deal that would preserve the lucrative transit trade—Ukraine gets a fee for letting Russian gas through its territory on the way to Eastern Europe—even after Nord Stream 2 comes online in 2019, a German official said.

German government officials say that since all of the permits for Nord Stream 2 have been issued, there is no legal way to stop the project, which is run by Gazprom, the Russian energy giant, under financing agreements with international companies such as Engie, OMV, Shell, Uniper and Wintershall.

Flowing Dispute

The Trump administration is pushing against a new offshore pipeline that would increase Russian gas exports to Europe via Germany.



Source: Nord Stream 2

other U.S. allies in the EU more vulnerable to Russian pressure. German officials also say the U.S. is eager to displace Russia as a provider of gas to Europe.

"We are in principle open to that, but the question is what quantities the Americans can provide, and at what price," a senior German official said.

While Ms. Merkel hasn't dropped her support for the

pipeline, on Thursday she said the EU had agreed at a summit Wednesday night to offer the U.S. "closer cooperation" in the field of gas in exchange for a permanent exemption from the steel and aluminum tariffs.

Mr. Trump has been pushing for better access for U.S. companies to an EU market he has criticized as overprotected. Barring an EU offer to address

Europe Resists 'Racket' Over Gas

Successive American administrations have pushed Europe to create the infrastructure required to receive shipments of liquefied natural gas from the U.S. needs to be shipped across the Atlantic and would be considerably more expensive than Russian gas delivered via pipelines. "Trump's strategy seems to be to force us to buy their more expensive gas, but as long as LNG is not competitive, Europe will not agree to some sort of racket and pay extortionate prices," an EU official said.

Mr. Trump's grievances, the U.S. will hit Europe with punitive steel and aluminum tariffs on June 1. The EU has promised retaliatory tariffs.

A senior White House official said Mr. Trump discussed the pipeline and tariffs with the German chancellor during their meetings, but never directly connected the two issues. "They are two separate



Vatican, in Paper, Supports Stricter Market Regulation

BY FRANCIS X. ROCCA

ROME—The Vatican denounced the use of offshore tax havens and financial instruments such as debt securitizations that are seen as factors behind past financial crises, calling for regulation that would "neutralize predatory and speculative tendencies."

The document, which was released jointly by the Vatican's offices for Catholic doctrine and social justice, echoed warnings by Pope Francis about the dangers of unbridled capitalism. Catholic social teaching has long criticized the inequities of finance, but Pope Francis has given special emphasis to the theme in his teaching, even deriding money as the "dung of the devil."

The teaching document, which was approved by the pope, suggested greater regulation of the world's financial markets was necessary.

"Markets, as powerful propellers of the economy, are not capable of governing themselves," said the document, adding a lack of oversight gives free rein to fraud and other negative effects including environmental damage. The document was approved

by the pope in January but released Thursday.

"The supranational dimension of the economic system makes it easy to bypass the regulations established by individual countries," the Vatican said. "The current globalization of the financial system requires a stable, clear and effective coordination among various national regulatory authorities."

In 2011, during the pontifi-

Paper approved by pope criticizes economic systems founded on inequality.

cate of Pope Benedict XVI, the Vatican responded to the then-recent financial crisis by proposing a "global public authority" and a "central world bank" to regulate the international financial system.

Pope Francis has com-

mented vehemently on what he calls an "economy of exclusion and inequality" based on the "idolatry of money," earning criticism from Catholics and others who support free mar-

kets, who say the pope has underrated capitalism's achievements in reducing poverty.

Thursday's document focused on ethical principles rather than specifics, but singled out for criticism the practice of debt securitization, saying the risky nature of such products makes them a "ticking time bomb ready sooner or later to explode."

The Vatican also denounced credit default swaps as "gambling on the failure of others, which is unacceptable from an ethical point of view...a kind of economic cannibalism."

A section of the document was dedicated to criticizing offshore tax havens, which it said contribute to the "creation of economic systems founded on inequality," by depriving nations of legitimate revenue, and facilitate the "recycling of dirty money" from the "mafia, war booties, etc."

Since 2010, the Vatican's Financial Information Authority has monitored its own compliance with standards on financial crimes, and the Vatican bank has closed thousands of accounts, often when a client's profile didn't conform with the bank's stated mission to serve "works of religion."

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WORLD NEWS

Exiled Ethnic Chinese Feel Malaysia's Pull

Ruling party's collapse raises hope of an easing of policies that favored Muslims

BY JAMES HOOKWAY

KUALA LUMPUR, Malaysia—Robert Leong left Malaysia about 40 years ago, first for boarding school in Northern Ireland and then to study medicine in Dublin. He went on to the U.S., where he lives in the San Francisco Bay Area and works in biotechnology.

Now, political upheaval back home is making it more likely ethnic Chinese expatriates like Mr. Leong will return to Malaysia, bringing talent and capital back with them.

The electoral collapse of the ethnic-Malay-based party that ruled Malaysia since independence from Britain in 1957 is raising expectations that the new government will soften or end a decades-old affirmative-action policy that favors the majority Muslim Malay population, often at the expense of ethnic Chinese.

"Would I return? Yes, after allowing time for the new government to settle down and begin implementing reforms," said Mr. Leong, who is 55 years old. "There is a huge pool of talented and experienced Malaysians living overseas that this new government could tap into."

Before it was voted out of power last week, the ruling United Malays National Organization gave quotas, handouts and other preferential assistance to Malays to help them catch up with the gen-



Riot police guarded the entrance to Chinatown in Kuala Lumpur, Malaysia's capital, in 2015 during a rally.

erally wealthier Chinese. Hundreds of thousands of Chinese Malaysians left the country to seek a fairer hand elsewhere.

The newly elected ruling coalition, led by Prime Minister Mahathir Mohamad—who championed affirmative action during his earlier, 22-year stint in the post—has decried the UMNO government's "narrow racist rhetoric" and promised to level the playing field by providing support for all Malaysians who need it.

It is a sensitive and closely

followed issue both here and abroad. The pledge from the Alliance of Hope coalition offers to ensure that "Malaysians of all backgrounds will enjoy a fair share of this country's wealth."

Mr. Mahathir suggested on Tuesday that the best way to encourage Malaysia's diaspora to return is to expand the economy "so there are more opportunities for people to practice as professionals, as well as invest in this country." Speaking via video link to a Wall Street Journal conference in Tokyo,

he dodged questions about whether he would seek to remove racial quotas.

Removing the affirmative-action program could be difficult, with Malays and other indigenous groups making up more than two-thirds of the country's 32 million people.

The pro-Malay policy emerged after 1969 race riots in Kuala Lumpur in which hundreds of ethnic Chinese were killed. The government introduced an affirmative-action system that, among other things, reserves many spots in college for Malays;

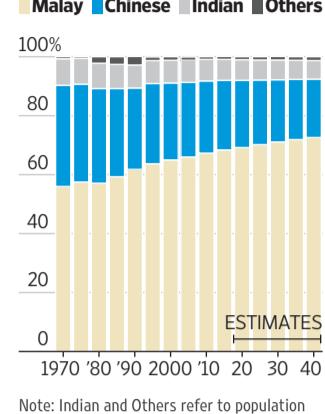
they also benefit from subsidized housing and equity ownership policies and dominate the public sector. The programs have helped nurture an ethnic-Malay middle class, to the extent that some Malays in Kuala Lumpur and other cities say they no longer need help.

From the start, many Chinese Malaysians, unsure of finding spots in universities or getting scholarships, began sending their children to Australia, the U.K. and the U.S. "That's how the exodus began," said Jason Wong, 23.

Moving Out

The proportion of ethnic Chinese among Malaysian citizens is dwindling.

Population, every 5 years



Note: Indian and Others refer to population for Peninsular Malaysia in 1970 and 1975. Source: Department of Statistics Malaysia

THE WALL STREET JOURNAL.

"Anyone could get the money together would send their children overseas to try to get a foothold there."

He should know. Mr. Wong aims to return to Australia where he previously studied to pursue a doctoral degree in ecology. If he does, he would add to a brain drain in which one million Malaysians left the country as of 2010, according to a World Bank study published a year later, the vast majority of them ethnic Chinese.

"Whenever I read about what happens in Malaysia, I daydream—maybe one day I would visit home and change things," said Chin Fen Teo, 38, who also lives in the Bay Area. "I wish Malaysia is a country where racial harmony is real, not like the fake posters that are plastered all over to promote tourism," she said.

Burundi Vote Decides Term Limits

BY MATINA STEVIS-GRIDNEFF

Burundians voted on whether to change the East African nation's constitution to allow the president to extend his term to 2034, potentially bolstering a trend on the continent of abandoning term limits that has alarmed democracy activists.

President Pierre Nkurunziza, the 54-year-old scion of a political family and former sports instructor and soccer coach, has been in power since 2005 and has steadily tightened his grip. His country, the world's third-poorest, has been steeped in violence amid a brutal government crackdown on the opposition and the press.

The United Nations and human-rights groups estimate some 1,200 have been killed in politically motivated violence since 2015. The simmering political crisis has led more than 400,000 to flee to neighboring countries, according the U.N. refugee agency.

"Hundreds of thousands of people have fled the country since 2015 in fear for their lives—including many leading activists and opposition politicians—and the space for



A guard with voters at a polling station in Bujumbura, the capital.

dissenting views has been all but closed down by the authorities," said Rachel Nicholson, Amnesty International's Burundi researcher.

Across the continent, 10 countries have scrapped term limits, including Rwanda and Uganda, a major U.S. aid recipient.

Term limits are widely considered to be a good governance practice and are observed in much of the Western world, including the U.S. But some African leaders have argued that the West is trying to impose rules on the continent and that term limits don't necessarily bring

better governance.

Burundi's constitution now limits its leaders to two terms. Mr. Nkurunziza, who says his premiership is God's will, started a controversial third term in 2015, arguing that his first term didn't really count because he had been selected by Parliament rather than elected by popular vote.

Thursday's referendum, which Mr. Nkurunziza is expected to win, would change the constitution to extend a term to seven years from five. A president who had served two terms would be able to run again after sitting one out. Mr. Nkurunziza would

count his terms from scratch, potentially adding another two seven-year terms to his tenure. His current term ends in 2020.

Some five million people are registered to vote, about half of the country's population, and the changes require only a simple majority. It wasn't clear when results would be announced.

Human-rights groups said the campaigning period had been marred by intimidation.

"This campaign was very unfair," said the International Federation for Human Rights, a rights group. "Opponents suffered acts of reprisal for their participation in the 'no' campaign, and dozens of them have been arrested, detained and beaten since mid-April," it added.

Burundi's media regulator banned correspondents from the British Broadcasting Corp. and Voice of America from visiting to cover the election, and granted permits to only a handful of foreign reporters. Most independent local press organizations have been shut down, severely restricting on-the-ground reporting, according to Reporters Without Borders, a free-press group.

IRAQ

U.N. Politicians

Allege Voter Fraud

The United Nations and Iraqi political leaders sought an investigation into electoral-fraud complaints and manual recounts in some districts, as questions intensified about the legitimacy of the recent parliamentary vote.

Recounts aren't expected to affect results from Saturday, when Shi'ite cleric Moqtada al-Sadr's coalition won the most seats.

—Isabel Coles

WORLD WATCH

LEBANON

U.S. Slaps Sanctions On Hezbollah Officials

The U.S. Treasury Department imposed sanctions on one of the Iran-backed Hezbollah militia's top financiers and its representative to Tehran. The designation of Mohammad Ibrahim Bazzi as one of the group's top financiers and Abdallah Safi-Al-Din as its key financial representative to Tehran is part of a broader U.S. campaign to isolate Iran.

—Ian Talley



ALLIES: Syrian President Bashar al-Assad met with Russian President Vladimir Putin in Sochi. Russia is a key ally of Mr. Assad in Syria's war.

KOREA

Continued from Page One

of ominous and insulting statements by high-ranking North Korean officials merely represented a hardball approach to the coming talks or were a re-evaluation by Pyongyang on the utility of the summit.

Mr. Trump posited that the tough talk stemmed from Mr. Kim's meeting with Chinese President Xi Jinping last week. The two leaders met for the second time in as many months on May 8, two days before Secretary of State Mike Pompeo arrived in North Korea and left with the three U.S. citizens who had been imprisoned there.

"There has been a big difference since they had the second meeting," Mr. Trump said, adding that "President Xi could be influencing Kim Jong Un."

Mr. Trump offered no other details to bolster his theory, but argued that no other U.S. president has put similar trade pressures on China. Chinese officials were in Washington on Thursday on a planned trip to discuss the trade dispute.

Mr. Trump's negotiations with Mr. Kim come as the U.S. president weighs tariffs on as

much as \$150 billion of Chinese goods, and Beijing has vowed to respond in kind. Washington and Beijing are also discussing ways to ease tough U.S. penalties on Chinese telecommunications giant ZTE Corp.

China has generally backed North Korea's preference for a step-by-step denuclearization approach, while the Trump administration has insisted on speedy denuclearization.

Others saw North Korea's denunciations of U.S.-South Korean air drills as an attempt by Pyongyang to persuade South Korea that its military alliance with the U.S. is an obstacle to peace.

"They are laying the foundation for the argument that South Korea's alliance with a nuclear superpower is an obstacle to denuclearization and that both sides will need to take reciprocal steps to disarm," said Daniel Russell, a former State Department official and now vice president of the Asia Society Policy Institute.

"And they are also warning the South Koreans that the alliance is an obstacle to the inter-Korean rapprochement that President Moon is pursuing."

North Korea earlier in the day said it would shelve inter-Korean talks indefinitely unless Seoul made concessions on

military exercises and dialed back its public criticism of the North's attempts at dialogue.

Ri Son Gwon, a senior North Korean official, slammed South Korea's liberal Moon Jae-in administration as "an ignorant and incompetent group devoid of the elementary sense of the present situation."

A day earlier, Kim Kye Gwan, a senior foreign ministry official, said Pyongyang wasn't interested in a summit focused solely on denuclearization and

accused Washington of trying to "impose on our dignified state the destiny of Libya or Iraq."

White House national-security adviser John Bolton repeatedly has said the administration was considering a Libyan model for quick disarmament, saying North Korea would need to agree to a similar deal.

North Korea on Wednesday denounced the comparison as insulting and "sinister." The fact that Moammar Gadhafi,

Libya's strongman, was overthrown and killed by rebels in 2011 also makes the comparison objectionable to North Korea.

Mr. Trump, addressing those concerns on Thursday, contradicted Mr. Bolton and said the White House didn't consider the 2003 Libyan negotiations a template. Mr. Trump, like the North, pointed out that Libya had been "decimated" by international military intervention eight years after stemming its nuclear ambitions.

"There was no deal to keep Gadhafi," Mr. Trump said. But under a U.S.-North Korea agreement, he said, Mr. Kim would continue "running his country" with security guarantees and "very adequate protection" from the U.S. "His country would be very rich."

The president had conflated Libya's denuclearization with the military intervention in Libya led by the North Atlantic Treaty Organization nearly a decade later. But he also used the comparison to issue a stern warning to the North.

"If you look at that model with Gadhafi, that was a total decimation—we went in there to beat him," Mr. Trump said. "Now, that model would take place [in North Korea] if we don't make a deal, most likely."

The heightened rhetoric was the first sign of increasing tension since Washington and Pyongyang agreed in March to plan a meeting.

On Thursday, Mr. Trump expressed surprise at North Korea's harsh words. He said talks continued between the two administrations over the issues around their summit, scheduled for June 12 in Singapore.

"If the meeting happens, it happens," he said. "And if it doesn't, we go on to the next step."



EUGENE HOSHIKU/ASSOCIATED PRESS
A huge television screen in Tokyo on Wednesday showed North Korean leader Kim Jong Un.

IN DEPTH

COIN

Continued from Page One
find out about its afterlife.

Investors have poured more than \$1 billion into the 271 coin offerings where the Journal identified red flags, according to a review of company statements and online transaction records—nearly one in five of those reviewed. Some of the firms are still raising funds, while others have shut down. Investors have so far claimed losses of up to \$273 million in these projects, according to lawsuits and regulatory actions.

Companies use coin offerings to raise funds by selling their own digital currency. Led by the bitcoin fever, the 1,450 projects analyzed by the Journal—a number believed to encompass most of those aimed at an English-speaking audience since 2014—say they have raised at least \$5 billion. Since 2017, crypto coin offerings have generated more than \$9 billion in proceeds globally, according to research and data firm Satis Group.

Recently, the Securities and Exchange Commission issued warnings to investors that many deals in the booming private market for cryptocurrencies could be violating securities laws, and on Wednesday launched a website touting a fake coin offering as an example of what to avoid.

Since December the agency has filed civil charges against companies and individuals in four separate cases involving initial coin offerings, known as ICOs. At least a dozen companies put their offerings on hold after the agency raised questions, an SEC official said in February.

At the heart of most coin offerings is a company's "white paper," a document that typically details mission statements, team biographies and the technical specifics of a project.

Of the 1,450 white papers downloaded from three popular websites that track coin offerings, the Journal found 111 that repeated entire sections word-for-word from other white papers. The copied language included descriptions of marketing plans, security issues and even distinct technical features such as how other programmers can interact with their database.

At least 121 of the projects didn't disclose the name of a single employee and several of them listed team members who either didn't appear to exist, as with Denaro, or were real people who said their identities were being used without their knowledge.

The Journal also identified more than two dozen companies that promised investors finan-

One Crypto Startup's Case of Mistaken Identity

Premium Trade's website describes CEO Idan Cohen as an 'experienced entrepreneur.' But Mr. Cohen's image is actually of Eduardo Carillo, who was a student in Spain when a photographer friend asked him to model for these stock images. Photos of Premium Trade's five top executives all appear to be drawn from stock sites. Missing or faked team members is one of the red flags identified in WSJ analysis.



ing she had never heard of called Pixiu.

Pixiu didn't respond to several requests for comment via email and social media.

At least four coin promoters have been sued by investors seeking to start class-action cases. During its 2017 offering, Paragon Coin raised more than \$70 million, according to a lawsuit filed in a California federal court alleging the business was an "overly ambitious, vague, and impractical" venture to raise funds to purchase real estate.

Paragon, founded by a Russian internet entrepreneur named Egor Lavrov and his wife, Jessica VerSteeg, promises to "connect the cannabis industry through the blockchain," according to the company's white paper. This July, the company plans to open a co-working space in Los Angeles paid for "exclusively in cryptocurrency," according to the company's website.

"Paragon is dedicated to staying compliant with all applicable laws, and endeavored to do so throughout the entire ICO process," said Ms. VerSteeg, who was the 2014 Miss Iowa United States and is currently Paragon's chief executive, in a statement provided by the company. "Paragon holds itself to a high standard of compliance with our token holders and will continue to do so as it moves forward." Mr. Lavrov couldn't be reached.

After the coin offering for Denaro closed in March, the entity's website went dark and investors are now alleging on social media that the founders ran off with millions.

Daniel Armstrong, who said he worked for Denaro as a freelancer through February, proofreading company literature, now believes the startup was run by Lithuanians, based on evidence he saw from payment details, documents he edited and a message posted to Slack by one of the founders written in another language.

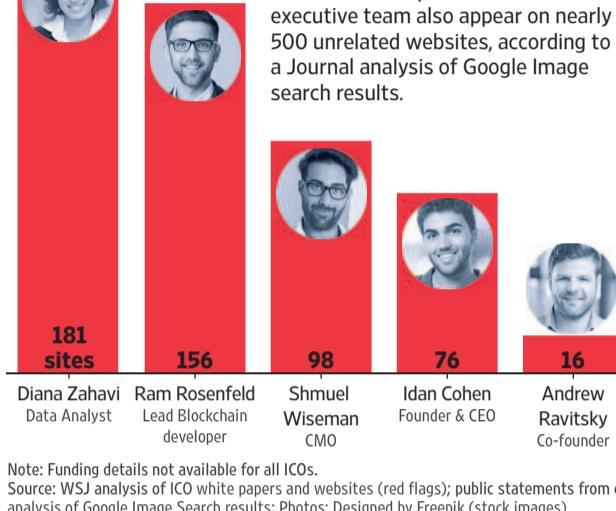
"I did some marketing text for them," Mr. Armstrong said. "When they sent it to me it was terrible and written by a non-native writer."

Denaro didn't die entirely. An offering for a new payment system recently emerged called Pluto Coin with a similar website and an identical white paper. Half of the Denaro team members had also been recycled for Pluto Coin, including an image of Mr. Boker, which appears in coding for the website but isn't visible to casual viewers. He has been renamed "Ivan Denver."

So far, Pluto Coin claims on its website to have collected at least \$10 million from investors. It couldn't be reached for comment.

Jean Eaglesham contributed to this article.

Number of websites featuring Premium Trade 'staff' photos



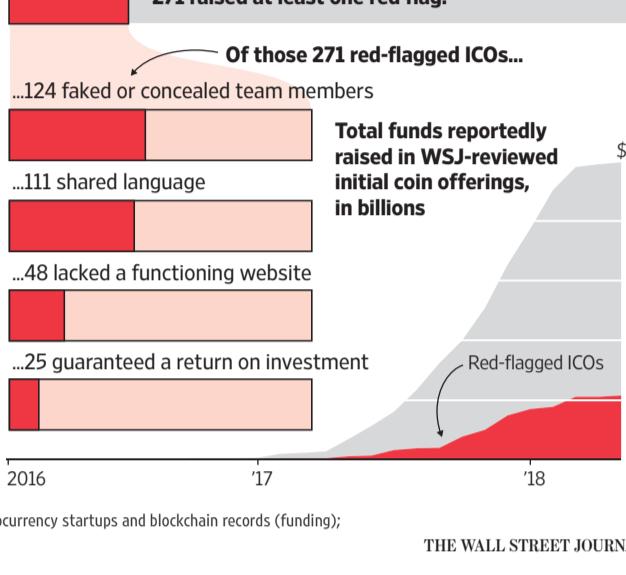
Note: Funding details not available for all ICOs.

Source: WSJ analysis of ICO white papers and websites (red flags); public statements from cryptocurrency startups and blockchain records (funding); analysis of Google Image Search results; Photos: Designed by Freepik (stock images)

The people whose photographs were used to depict Premium Trade's executive team also appear on nearly 500 unrelated websites, according to a Journal analysis of Google Image search results.

In the initial coin offerings reviewed by the Journal,
1,450 whitepapers

In the initial coin offerings reviewed by the Journal,



2016 17 18

Red-flagged ICOs

of the detective work about what's real and what's not.

Copied language, the absence of named employees and promised high returns are "warning signs for investors," said Bradley Bennett, a former enforcement chief at the Financial Industry Regulatory Authority.

Investors have poured more than \$1 billion into coin offerings showing red flags.

"There are going to be some legitimate players that emerge from this but it's going to be a handful—a lot of it looks like penny-stock fraud with lower barriers to entry," Mr. Bennett, now a partner at law firm Baker Botts LLP, said of the broader coin market.

To feed the growing market, ranks of freelancers have sprouted up to write white papers for as little as \$100.

At least five projects filled out their white papers or websites with executive images pulled directly from online stock photography or other sites, the Journal found.

Among the most extreme was investment startup Premium Trade. The images for its five-member executive team were simultaneously being used on nearly 500 unrelated websites: Premium's co-founder Andrew Ravitsky was also "Dr. John Watsan," in an online cardiology course.

Premium Trade didn't respond to several requests for comment and Messrs. Ravitsky and Watsan weren't reachable, if in fact they exist.

LoopX, which began soliciting money last year, vowed to build "the most advanced" trading platform in the cryptocurrency market. The company didn't name any team members or detail how the platform would be built. Its white paper featured several key entries identical to another coin project's.

"Along this journey, we found great partners and mentors who were strongly committed and excited to work with the ever-progressing vision of LoopX," the company wrote in one of several passages identical to those in an earlier online payment startup called UTrust.

After claiming to raise \$4.5 million, LoopX disappeared from the internet in early February. Its website is now down

and its Twitter account features a single message linking to a news article alleging the founder or founders ran off with the money. LoopX couldn't be reached for comment.

When contacted by the Journal, Swiss-based UTrust's CEO, Nuno Correia, said he was aware his white paper had been plagiarized but didn't think there was anything to be done about it.

"We get a lot copies of our white paper," Mr. Correia said. "My picture, my description, my team, even our website was copied."

Seven other coin offerings also featured passages that appeared earlier in UTrust's white paper.

Along with Mr. Correia's biography, the Journal found lawyers in California, an escrow agent based in Ukraine and the co-owner of a media company whose identities had been hijacked in order to lend credibility to a range of cryptocurrency projects involving education, e-commerce and crypto mining.

"I'm a little creeped out by the whole thing," said Amanda Gavin, co-owner of a media production company in San Francisco, whose image and name were taken from her LinkedIn page and used for a coin offer-

PRINCE

Continued from Page One
had to turn up and press the flesh to collect a paycheck. "You don't even really need to talk," he explains.

Now Mr. Watkinson's rule is entering a new, more challenging era. The Australian engineer's website has been flooded by requests for a different royal, Prince William's younger brother, Harry. The build up to Prince Harry's wedding to U.S. actress Meghan Markle this weekend has forced Mr. Watkinson to play second fiddle to a series of imitations of the ginger-haired royal. To add to his woes, a few months ago the already follicly challenged Prince William cropped his hair. These factors have combined to leave Mr. Watkinson facing up to something impersonators who stick with it often encounter: the midlife career slowdown.

Compared with the highs of Prince William's 2011 royal wedding when the dashing helicopter pilot captured the world's imagination by sweeping his bride down the aisle of Westminster Abbey, today "following him around with the three kids isn't as fun," says Mr. Watkinson. He still has his hair and his girlfriend doesn't want him to trim it. He says he recently looked on with concern as Prince William appeared to go a little soft round the edges, adding he has no desire to give up his workout regimen but remains determined "to milk it for as long as I can."

Adapting to a celebrity's evolving looks can actually be a boon to impersonators. British Britney Spears wannabe Lorna Bliss made headlines by shaving her head back in 2007 after Ms.



Above left, winners of a Prince Harry and Meghan Markle look-alike contest. Right, impersonators of the royal family in 2011. Below, the real Prince Harry and Ms. Markle.

Spears's well-documented trip to the hairdressers. David Beckham ex-look-alike Andy Harmer says he raced to copy the soccer star's ever-changing hairstyles to meet demand from tabloid newspapers.

Tom Moore, 34, has impersonated Prince William, 35, since 2005 and says he too is struggling with the hairstyle dilemma. The Brit has resisted cropping his mop, saying he prefers to portray the Prince "as people remember him looking."

But in the demanding world of look-alikes, that might not be enough. "People either want tribute acts or impersonators," says Nick Hewlett, artist content manager at Scarlett Entertainment, which manages a large roster of look-alikes. Tributes capture a celebrity's look or sound at a particular moment in the past while "impersonators need to match their likeness in real time," says Mr. Hewlett. And Prince William, he says.

Growing up in Australia, Mr. Watkinson was regularly told by

his aunt that he had a strange resemblance to the heir to the British throne. After moving to London to work as an engineer, he won a look-alike contest. During his heyday around the prince's nuptials he appeared at events three to four times a day. He could charge \$1,000 for a half-hour appearance.

He featured in an opera called "La Traviata," where he sat in a bathtub and blew bubbles. Still, competition was stiff with perhaps a half a dozen serious ersatz Prince Williams touring the country at the time.

Many of those impersonators have since given up. By 2017 as Prince William settled down to royal family life and relinquished his job as a helicopter pilot, work slowed to a trickle. Mr. Watkinson, who still holds down a full-time job, hung in there appearing at corporate events and staging photo shoots around

the birth of the prince's children, sometimes holding a fake baby. There was brief excitement last year when grainy footage of Prince William bopping enthusiastically in a Swiss nightclub emerged and Mr. Watkinson was asked to re-enact the "Dad Dance" on TV.

Despite the lull, pretenders to his throne were hovering. Mr. Watkinson was concerned to

discover that casting agents were getting pitches from a new generation of would-be Williams. "They were starting to get people coming through who are bald," he says.

Now as Prince Harry prepares to wed, Mr. Watkinson is getting some renewed interest. Demand for Prince Harry look-alikes at bachelor parties has soared, according to casting agents—including one request to plastic-wrap a Harry impersonator to a lamp post. In 2012 Prince Harry was snapped nude while partying in Las Vegas, burnishing a reputation as something of a rebel with the British public.

He has since worked to reshape this image by helming charities.

Riffing on this theme, Mr. Watkinson was recently filmed topless in a hot tub in a spoof of Prince Harry's own "stag party." The other big gig on his calendar: an appearance at an event to find the world's best Harry look-

alike. The winner of that contest, Rhys Whitlock, 34, says he tried to cash in on his resemblance to Prince Harry for years but no one would give him any work. Now appearing as Harry "is all I am doing this week," he says.

Even with the focus on Harry, Mr. Watkinson has been able to ride on a wave of royal euphoria. In the hotel, the visiting American air-conditioner sales reps clamored to make small talk and have their photo taken with him and a Kate impersonator before heading off to dinner. On the wedding day this Saturday, Mr. Watkinson will be at an event on a boat. He will be there in part because the hosts couldn't find an available Prince Harry, he says. "We're the next best thing," he explains.

Mr. Watkinson won't give up his crown lightly. He says he will hang on and even shave his hair if the price is right. For inspiration he looks to another impersonator: a woman who plays Queen Elizabeth II. "She has been doing it for 30 years."



CLOCKWISE FROM BOTTOM: EDDIE MULHOLLAND/AP, JOE PEPEL/AP, GETTY IMAGES



GREATER NEW YORK

Student, Teacher Die in School Bus Crash

Paramus, N.J., fifth-graders were heading to a field trip when the bus and truck collided

BY KATE KING
AND ZOLAN KANNO-YOUNGS

PARAMUS, N.J.—A student and a teacher were killed and dozens injured when a school bus carrying fifth-graders on a field trip collided with a dump truck on a New Jersey highway Thursday.

The bus was transporting 38 students and 7 adults, from the East Brook Middle School in Paramus to the historic Waterloo Village.

Both drivers and the passengers were taken to six area hospitals and some were in critical condition, said Gov. Phil Murphy, who visited the school.

"Tough day here in Paramus," said Bergen County Executive James Tedesco. "Sixty-five years I've lived in this town and it's difficult to stand here today and talk about our education community suffering so deeply."

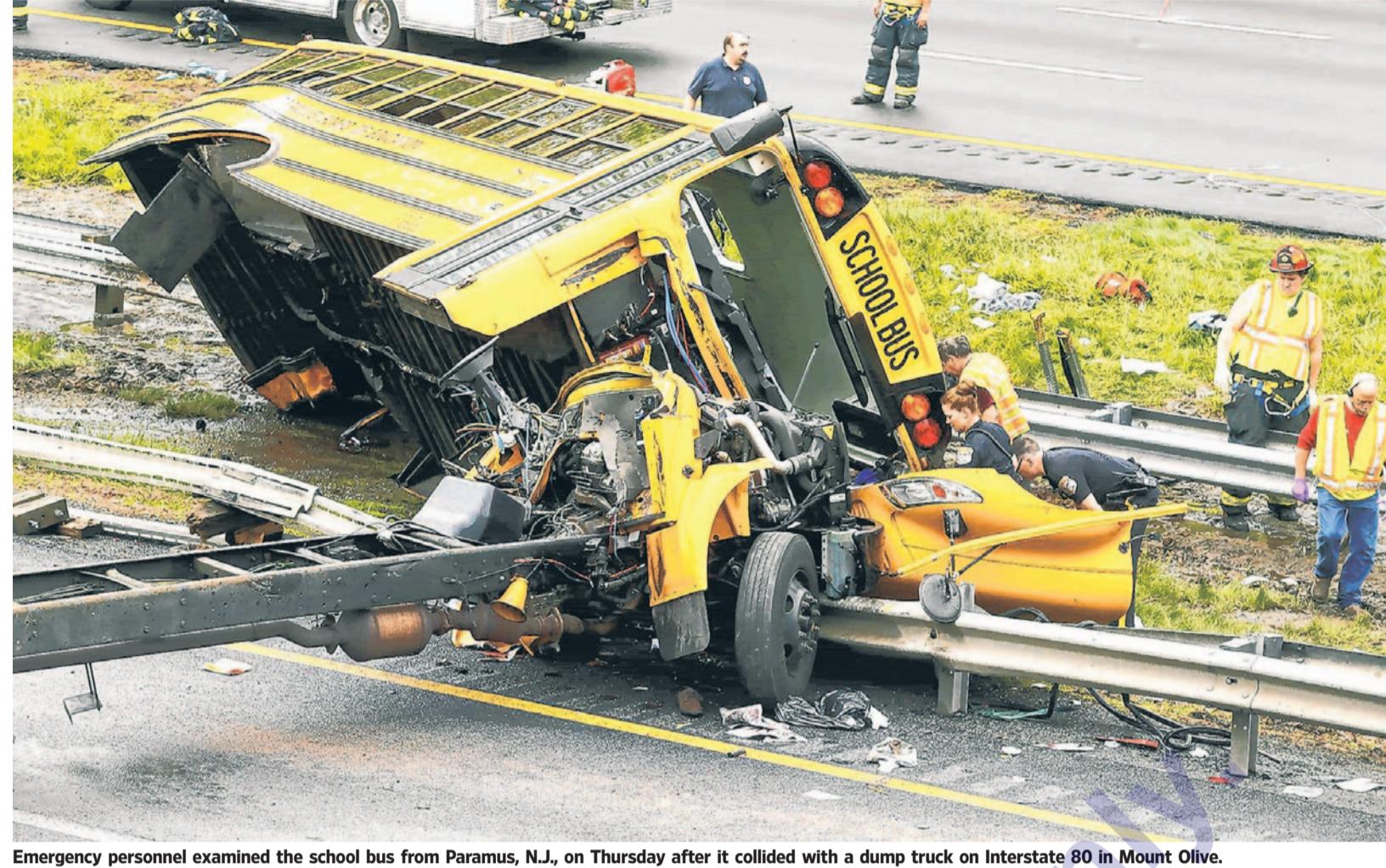
The crash occurred on Interstate 80 westbound near Exit 25 in Mount Olive Township at about 10:20 a.m., authorities said.

There were two other school buses as part of the fifth-grade outdoor education trip that returned to the middle school where the students were reunited with their parents.

The bus was owned by the school district and was equipped with seat belts, Paramus Superintendent of Schools Michele Robinson said.

Schools will be open on Friday and crisis counselors will be on hand to assist students and staff, but all field trips are canceled for the remainder of the school year, she said.

Little else was known Thursday about the cause of the crash. Mr. Murphy referred questions to the New Jersey State Police and Morris County Prosecutor's Office, which are investigating the crash.



Emergency personnel examined the school bus from Paramus, N.J., on Thursday after it collided with a dump truck on Interstate 80 in Mount Olive.

Motorists Rescue Terrified Students

Frank Iossa, a 39-year-old heating technician, was driving by shortly after the accident happened when he saw motorists had stopped to help students get out of the bus windows, so he did too. Some children had deep cuts, he said. "They were crying, they were screaming," he said. "They were nervous about where their friends were."

A state police spokesman said the department wasn't yet releasing the identities of the teacher and student who were killed.

About 715,000 students ride

Mr. Iossa, a father of four from Parsippany, let several children use his cellphone to call their parents. "One little girl was talking to her dad and she said, 'I love you, daddy,' and a tear came to her eye. It was so sad."

Mr. Iossa said he did what he could to calm the students, and reassured some parents by phone that their children weren't hurt. One 11-year-old boy was worried about the girl he had been sitting next to, and asked, "Where's my girlfriend? I can't find her."

school buses in New Jersey daily, according to the state Department of Education.

Photos from the crash scene showed the school bus on its side, completely torn from its

undercarriage and with its front end sheared off. The front of the truck was similarly crushed.

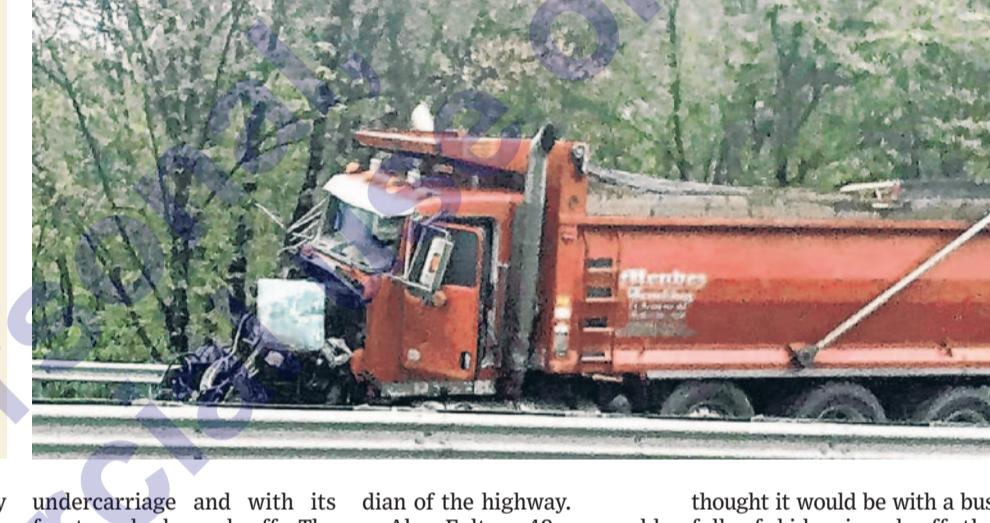
Children and adults were seen sitting on the grassy me-

dian of the highway.

Alan Fulton, 48 years old, who lives in the area and walked to the scene a few minutes after the accident, said it was "as horrific as you

thought it would be with a bus full of kids ripped off the frame."

—Leslie Brody and Jim Oberman contributed to this article.



Kushner Nears 666 Fifth Ave. Deal

BY PETER GRANT

The real-estate arm of **Brookfield Asset Management** is in advanced talks with **Kushner Cos.** to purchase roughly a 50% stake in 666 Fifth Ave. and invest hundreds of millions of dollars in the Manhattan office tower, which has been at the center of a controversy concerning possible conflicts of interest involving President Donald Trump's son-in-law and top adviser, Jared Kushner.

A deal could be reached this spring, according to people familiar with the matter.

But a number of issues need to be resolved, including how much of the \$1.4 billion of debt on the building is going to be repaid and how disagreements within the partnership would be worked out, the people said.

If the deal is finalized, the venture would use the hundreds of millions of dollars of new capital from Brookfield to overhaul the property, which is about 30% vacant.

Brookfield, one of the world's largest commercial real-estate companies, has teamed up with the Kushners on other projects in the past, including redeveloping the Monmouth Mall in



666 Fifth Ave. in Manhattan

LUCAS JACKSON/REUTERS

The building lately has come under scrutiny because of concerns that Mr. Kushner, who is married to Ivanka Trump, might use his position in the White House to help his family salvage its investment. Those concerns persisted after Mr. Kushner sold his stake in the property to a trust controlled by other family members.

Last year, Mr. Kushner's father, Charles Kushner, was in talks to sell a stake in the property to Anbang Insurance Group, a Chinese insurer with connections to the government in Beijing. Under that \$7.5 billion plan, the building would have been converted into a 1,400-foot-tall mixed-use skyscraper with retail, hotel and condominiums.

After that deal collapsed, Charles Kushner decided to steer clear of controversial financing sources such as sovereign government funds and the federal program known as EB-5, which grants green cards to foreigners who invest in job-creating ventures.

At the same time, pressure was mounting on Kushner and Vornado to do something because the \$1.4 billion in debt on the building matures in February.

ary. Also, the high vacancy rate has forced the owners to pay millions of dollars of debt service out of their pockets every month.

The deal with Brookfield, reported earlier by the New York Times, essentially would be structured as Brookfield purchasing Vornado's stake in the property, people said. Vornado's chairman and chief executive, Steven Roth, told Vornado shareholders in April he had a "handshake" deal to sell the company's stake in the property back to Kushner Cos.

Brookfield Asset Management is planning to make its investment out of private real-estate funds that it manages, according to the people familiar with the matter.

Brookfield Asset Management also is the largest single shareholder in Brookfield Property Partners, a public real-estate company that has the Qatar Investment Authority as one of its largest shareholders.

A spokeswoman for Brookfield Asset Management said in an email: "No Qatar-linked entity has any involvement in, investment or even knowledge of this potential transaction. They are in no way involved."

Sportswear Firm Puma To Open City Flagship

BY KEIKO MORRIS

German sportswear-maker **Puma SE** has signed a lease deal to open a flagship store on Manhattan's Fifth Avenue shopping corridor, creating a marquee location that would be the first of its kind for the company in North America.

Puma is taking a three-level, 24,000 square-foot space at 609 Fifth Ave. at 49th Street, according to SL Green Realty Corp., the real-estate investment trust that owns the building.

The trust has launched a redevelopment that will include double-height storefronts that wrap around the building.

Puma Chief Executive Björn Gulden described the location as iconic, situated on one of the most prestigious streets in the world.

While Puma has stores in the U.S. and Canada, none has the breadth of the company's product categories this location will showcase, said Russ Kahn, senior vice president of retail for Puma North America.

"For the past several years

PUMA has been focused on becoming the fastest sports brand in the world and we feel now is the perfect time to show the world who we are," Mr. Gulden said in a statement.

Puma joins other sportswear companies such as Nike Inc., Under Armour Inc. and Adidas AG, which have leased space along the Fifth Avenue shopping corridor.

The district, however, hasn't been immune to the effects of online retail growth, which has caused turmoil among traditional bricks-and-mortar retailers in the past few years.

In the first quarter of the year, the average asking rent on the lower stretch of Fifth Avenue from 42nd to 49th streets, which encompasses 609 Fifth Ave., declined 5.4%, to \$1,060 a square foot, compared with the same quarter last year, according to real-estate services firm CBRE Group Inc.

Asking rent on the stretch of Fifth Avenue from 49th to 59th streets dipped 0.5%, to \$3,700 a square foot.



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GREATER NEW YORK

George Washington Imagined as a Roman God

Frick exhibit reveals an intriguing story behind the statue

By CHARLES PASSY

The Frick Collection would like to show you George Washington as you've never seen him before.

FOOD & CULTURE Think Roman god, with an expression of deep contemplation and an athletic physique, garbed in a flowing cloak and open-toed shoes.

The image comes courtesy of the Italian neoclassical sculptor Antonio Canova (1757-1822), whose rendering of the first U.S. president is the centerpiece of a new exhibition, "Canova's George Washington," set to open on Wednesday at the New York museum.

As the show reveals, the story behind the sculpture is as intriguing as the work itself.

Canova's piece wasn't intended for a museum, but the halls of government—specifically the former State House in North Carolina. In 1816, the state's legislators commissioned a statue of Washington. And they turned to another founding father, the art-loving Thomas Jefferson, for advice as to which artist to choose.

"There can be one answer to this," Jefferson replied in a letter. "Old Canova [sic] of Rome. No other artist in Europe would place himself in line with him."

Unveiled in 1821, Canova's marble statue was destroyed a mere decade later in a fire that claimed the entire State House. But the statue wasn't entirely lost. Canova's plaster model—essentially his fi-

nal draft before committing the work to marble—survived. It was used to cast the replica that has stood at North Carolina's State Capitol in Raleigh since 1970.

The Frick exhibition, which runs through Sept. 23, marks the first time the plaster model has been seen outside Italy. A fragment of the original statue, claimed from the ashes and showing Canova's signature, also will be on display.

For the museum, the show

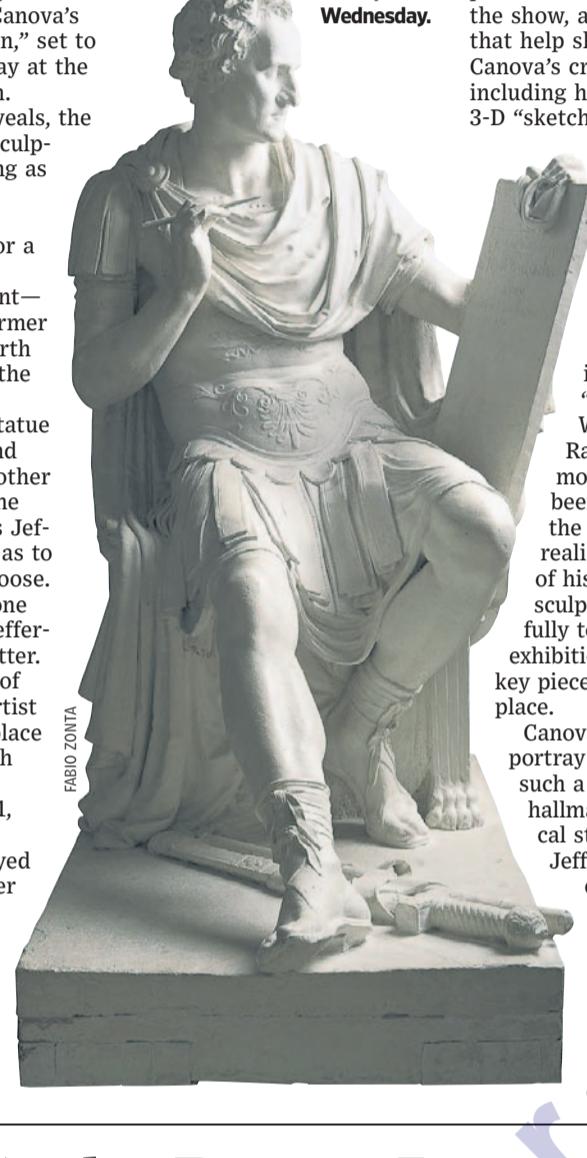
is something of a departure. The Upper East Side institution's focus usually is on Old World masters. Museum officials, however, are quick to point to certain connections.

Canova was a master, says Xavier F. Salomon, chief curator at the Frick. "He's up there with the greatest sculptors of any time in Western art."

The Frick's permanent collection also happens to feature a replica of Gilbert Stuart's portrait of Washington—an image that helped shape how many Americans picture their first president. That portrait is in the show, along with works that help shed light on Canova's creative process, including his drawings and 3-D "sketches" for the Washington sculpture.

While the Trump era has shone a fresh spotlight on the U.S. presidency, that wasn't necessarily the spark for "Canova's George Washington." Rather, Mr. Salomon said he had been interested in the Italian artist and realized that the story of his Washington sculpture hadn't been fully told before in an exhibition that brought key pieces together in one place.

Canova's decision to portray Washington in such a deified manner, a hallmark of neoclassical style, was certainly Jefferson's preference. The Virginian felt that U.S. military garb didn't quite do justice to the man. "Our boots & regiments have a very puny effect," he wrote.



The exhibit will open Wednesday.

Suit Seeks Better Integration

By LESLIE BRODY

A coalition of civil-rights advocates Thursday filed a lawsuit against New Jersey to prod the state to better integrate its public schools.

The suit organized by the New Jersey Coalition for Diverse and Inclusive Schools argues that policies that require most children to attend neighborhood schools, along with residential segregation, violate students' right to equal protection and the state constitution's guarantee of a "thorough and efficient" education.

"New Jersey for decades hasn't done anything to address the fact that its urban schools are intensively segregated by race and poverty," said Gary Stein, a retired New Jersey Supreme Court Justice and chairman of the coalition. The group said children of color in highly segregated schools are more likely to score lower on standardized tests, quit school and skip college.

Filed in Superior Court in Mercer County, the suit names the state as a defendant.

A spokesman for Gov. Phil Murphy, a Democrat, said he couldn't comment on litigation, but added that the governor "believes strongly that we must combat the deeply rooted problem of segregation."

The coalition includes leaders of various religious groups and the Latino Action Network, Advocates for Children of New Jersey and NAACP New Jersey State Conference. It was filed on the anniversary of the U.S. Supreme Court's 1954 desegregation ruling in *Brown v. Board of Education*.

The coalition says the lawsuit is one of the first filed nationwide since 1964 to challenge statewide school segregation.

New Jersey had nearly 1.4 million public-school students last year in roughly 700 districts: 45% were white, 27% Latino, 16% black and 10% Asian, the suit said. About 270,000 African-American and Latino students attend schools where at least 90% of the students are

children of color, the suit said. Of 213,000 black students, about 25% go to public schools where less than 1% of students are white, the suit said.

Segregation harms all students, including white students, by creating homogeneous classrooms, the suit said. It asks the court to strike down a provision of the law that requires students to almost always attend their local school. It suggests

several remedies, such as increasing the number of magnet schools that draw students from urban and suburban areas.

Patrick Fletcher, superintendent of River Dell Regional School District, said many students wouldn't want to leave their neighborhoods because of their families' strong connections to schools as hubs for sports, clubs and social activities.

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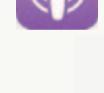
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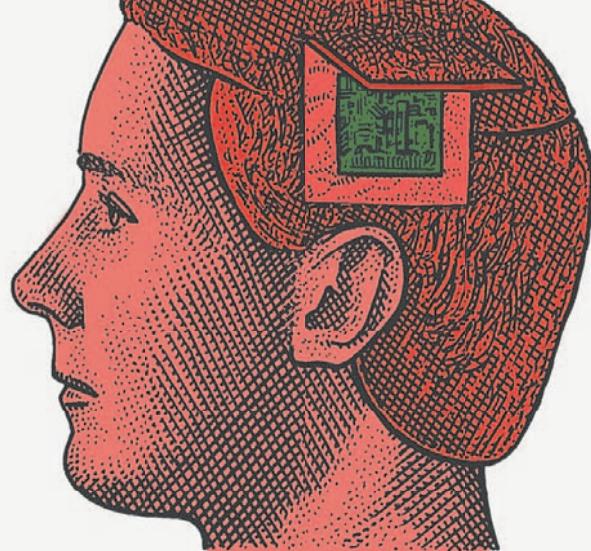
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THE FUTURE OF EVERYTHING SEASON 3

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LIFE & ARTS



Ethan Hawke and Amanda Seyfried, left, and Cedric Kyle, below

many other distinctive features) will be fascinated to find in "First Reformed" many of his cherished references and recurrent themes, beginning though not ending with repressed violence that recalls Travis Bickle, the driver played memorably by Robert De Niro.

In a sense "First Reformed" recapitulates Mr. Schrader's career, but this new, insistently slow and conspicuously brave film—no one can accuse the man who made it of cozying up to commercial interests—is very much of the bewildering moment in which Toller and all the rest of us live. (Brian Williams wrote the stunning score. Alexander Dynan was the cinematographer.)

One of its concerns is the place of religion in contemporary life. These days Toller's church, once a stop on the Underground Railroad and a refuge for escaped slaves, is so steeped in history that it's more of a souvenir shop than a spiritual sanctuary. (In a film that is by nature short on laughs, there's edifying fun in the contrast between this impoverished church, with a leaky pipe in its men's restroom, and a nearby profit center of televangelism, Abundant Life, whose go-getter pastor, Jeffers, is played—exuberantly but generously, without stereotyping—by Cedric Kyles, better known as Cedric the Entertainer.)

Another concern, almost the central one, is the role of the church in the life of the planet. Toller is already dismayed by what we're doing to the environment, but the subject is brought home with the ferocity of an infectious disease when a pregnant parishioner, Mary (a lovely performance by Amanda Seyfried), asks the pastor to counsel her husband, Michael (Philip Ettinger), a budding eco-terrorist bent on inflicting widespread mayhem. That's where Toller, and the film, take off into another realm—the ecstatic comingled with the melodramatic—that some will find embarrassing and absurd, and that I found, by turns, embarrassing, absurd and, as the extent of the artistic risk sank in, phenomenally daring and profoundly affecting.

This realm is the center of Toller's anguish, the apotheosis of his life. All along the pastor has tried, for himself and others, to reconcile hope and despair, even though his commitment to the latter is far stronger than his belief in the former. Finally he must find a way forward, or perish in the process. This is equally the center of the film, which grapples with eternal questions of faith, to be sure, but confronts just as powerfully, if not more so, the urgent matter of how to live a good, useful life in the turbulent here and the terrifying now. "First Reformed" has its steeple in the clouds and its foundation on solid ground.

FILM REVIEW | By Joe Morgenstern

'Reformed': Light on the Dark Night of a Soul

A solitary pastor tries to reconcile hope with consuming despair

THE FIRST THING you may notice about Paul Schrader's deeply serious and darkly beautiful "First Reformed" is the shape of the screen—closer to square, as in the movie medium's earlier days, than expansively wide. It's a fitting choice for an austere film, a set of constricting borders to intensify a story that is inward from the start—a country pastor's spiritual torment—and that grows ever more intense, to the point of explosive despair.

The pastor, the Rev. Ernst Toller, is played by Ethan Hawke; his performance is a model of restraint until it becomes a marvel of impassioned revelation. Toller's parish is in upstate New York, at a Dutch Reformed Church that is planning a reconsecration to celebrate its

250th anniversary. Once a military chaplain in Iraq, the solitary clergyman is devoted to his small and shrinking flock but shattered by the loss of his son, who died in the Iraq War. He confides his crisis of faith only to a journal that he began as an experiment in self-expression, and that he plans to destroy after keeping it for one year. The journal, he writes, "is a form of speaking—it is a form of prayer." What goes unspoken, except to himself, is that no journal would be needed if the soul-sick—and gravely ill—pastor were able to pray.

Those who've explored the riches of classic cinema will see Toller's journal as a link—and tribute—to Robert Bresson's "Diary of a Country Priest." That should come as no surprise, since Mr. Schrader, a scholar of the medium as well as a filmmaker, wrote the seminal "Transcendental Style in Film," an exploration of the slow, austere works of Bresson, Yasujiro Ozu and Carl Theodor Dreyer. And



those who've followed Mr. Schrader's long, distinguished career as a screenwriter (his spectacular breakthrough in 1976 was the

script for Martin Scorsese's "Taxi Driver") and a writer-director ("Blue Collar," "Hardcore," "American Gigolo" and "Affliction," among

TELEVISION REVIEW | By Dorothy Rabinowitz

'FAHRENHEIT 451': SNUFFING OUT A CLASSIC

IN THIS HEAVILY updated version of Ray Bradbury's classic novel "Fahrenheit 451," published in 1953, Michael B. Jordan portrays a young fireman, named Montag, who abandons the beliefs instilled in him by a ruling class of destroyers in a bleak future world, men who have tutored him—and all the rest of society—in the faith that books are the source of evil and must be burned. An early scene sets the tone effectively enough: Very American-looking schoolchildren—scrubbed, shining—shout their hatred of books, and of people who possess them, at a rally and

cheer the firemen shown burning them. There is plenty of color and brutality in Ramin Bahrani's film and almost nothing by way of character, precious little that conveys the magnificence that is being destroyed—flashing the titles of books won't do it.

There's plenty of action, but no effort to provide—other than in simplistic tirades—the reason for book-burning, the reason for an effort to banish history and cultural memory.

Bradbury wrote the book during the height of Sen. Joseph McCarthy's rise to power and influence, and it was clear

that he had the threat of that power, and the era of blacklisting, in mind when he conceived the idea. But he had in mind, as well, worries over technology and the effects on society of eyes continually glued to television sets.

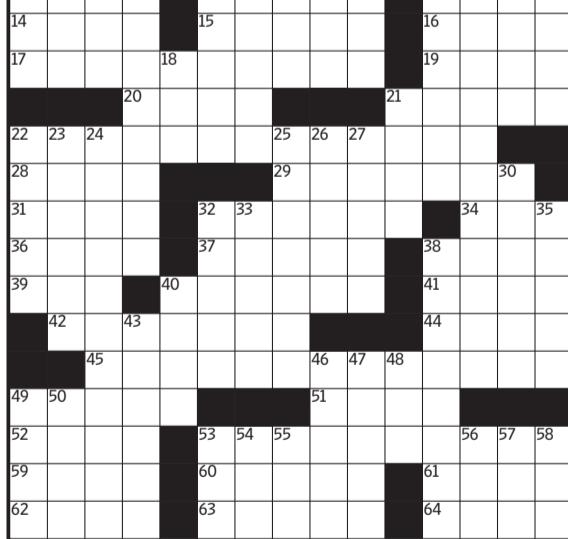
No one expects in a 21st-century film version, an hour and a half in length, anything approaching the subtlety and character that went into Bradbury's novel. Still one might have asked—of a film titled "Fahrenheit 451"—for more than a one-note rant.

Fahrenheit 451
Saturday, 8 p.m., HBO



Michael Shannon and Michael B. Jordan in 'Fahrenheit 451'

The WSJ Daily Crossword | Edited by Mike Shenk



CLUED IN | By Patrick Berry

The answer to this week's contest crossword is a fictional detective.	19 Proofer's "never mind"	37 Trim
Across	20 Luxuriate	38 At a distance
1 Biter of Miss Gulch	21 Zubin with a baton	39 "You should have known better"
5 Sparkle	22 University in Jonesboro	40 Clears
10 A positive donation?	28 Sate	41 Sudan divider
14 Unenforceable	29 Old Kingdom ruler	42 Taqueria offering
15 1972 rock hit with a lengthy piano coda	31 Automaker that first made sewing machines	44 Hill dwellers
16 Singer from County Donegal	32 Eight-time Best Actor nominee	45 Anheuser-Busch brew introduced in 1978
17 Shows some sadness	34 Hardly any	49 Play director
	36 Announcement made after a fumble	51 Outback hoppers
	52 Discontinued Dodge model	52 Discontinued Dodge model
	53 They mind their manors	53 They mind their manors
	59 Post	59 Post

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, May 20. A solver selected at random will win a WSJ mug. Last week's winner: Deanna Kennedy, Kenmore, WA. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

60 "The Wild Duck" playwright	27 Raconteur's collection
61 Big-box retailer	30 Sound quality
62 Jenny's cry	32 "Super Soul Sunday" host
63 Gift basket fruits	33 Buy and sell
64 Counter call	35 Seize forcefully
Down	38 "Henry and June" author
1 Living room sets	40 Make an impression
2 Backup singer's syllable	43 Whence the word "mafia"
3 Indecisive result	46 Select from a menu
4 Singular sorts	47 Things to be thankful for
5 Schooner, e.g.	48 Down
6 Andy Kaufman's "Taxi" role	49 Go through methodically
7 Hieroglyphic symbol	50 White Sox catcher Narvaez
8 In the style of	53 Sass
9 Bright	54 Presidential nickname
10 Coin replaced by the euro	55 Subj. of some WikiLeaks documents
11 Soon to happen	56 Stretch (out)
12 Nikita's negative	57 Name that means "king"
13 See ya!"	58 Convened
18 Japanese honorific	
21 Morgan's mother	
22 In progress	
23 Remove from a book	
24 Taking ill?	
25 Marriage-related	
26 Excelled	

Previous Puzzle's Solution

ALP	FANS	MAGMA
LOO	ALPO	AMOUNT
SPRITE	BOUNCERS	RETUNE
HOTS	OBIT	TMAN
MOVE	POLE	VULTURE
ALE	MANO	CRUSH
VERTIGO	PLINTHS	SPLEON
IFSO	ESCAPE	
Egypt	KARO	BALL
LEAP	YEARS	WARY
COKE	NSC	CHROME
IDIDIT	HOPON	POP
DEMISE	EXAM	ELI
SANER	ROSE	NYC

LIFE & ARTS



The cast of 'The Will Rogers Follies'

DIANE SOBOLEWSKI

THEATER REVIEW | By Terry Teachout

RETURN OF THE SINGING COWBOY

East Haddam, Conn.
WILL ROGERS is mostly forgotten now, but he used to be famous in a way that has a peculiarly modern feel to it. A self-styled Cherokee cowboy turned lariat-twirling vaudevillian, he told jokes, most of them political, in between rope tricks, blandly assuring his listeners that "all I know is what I read in the papers." In time the jokes became the point of his act, and he moved from vaudeville to Broadway to radio to, finally, Hollywood, where he made 69 movies, three of them directed by John Ford, knocking out a popular syndicated newspaper column in between takes. H.L. Mencken once called him "the most dangerous writer alive" to his face, and while Mencken was kidding, it was on the square. Rogers's cornpone opinionizing ("Politics has got so expensive that it takes lots of money to even get beat with") was taken so seriously by his fans that Herbert Hoover and Franklin Roosevelt both went out of their way to curry his favor. He would be vastly better remembered today had he not died in a plane crash in 1935. Instead, he has become a footnote to the history of America in the 20th century—except when "The Will Rogers Follies" is performed.

Like Rogers himself, "The Will Rogers Follies" has faded from view since it opened on Broadway in 1991. A Tommy Tune-directed glitzmobile with a score by Cy Coleman, Betty Comden and Adolph Green and a book by Peter Stone ("1776"), it ran for 981 performances and won six Tonys, including

the best-musical and best-original-score prizes. But "The Will Rogers Follies" has yet to return to Broadway, and even though it continues to be staged on occasion by amateurs and students, professional productions of the show have long since become rare enough that I made a point of going to Goodspeed Musicals' revival to find out what I'd been missing—and was very happily surprised by how entertaining it proved to be.

The premise of "The Will Rogers Follies" is that Rogers (David Lutken) has come back from the dead to star in a "Ziegfeld Follies"-type bring-on-the-showgirls revue that tells the story of his rise to fame and fortune. Since Rogers's private life was uneventful and his offstage personality opaque, there isn't much to tell, and "The Will Rogers Follies," to its credit, doesn't try to pretend otherwise. For the most part, all that happens is that the company blasts its way through one production number after another, with monologues and rope tricks by Rogers interspersed to give the members of the chorus just enough time to change costumes (of which they have plenty, all of them fancy) and catch their breath. They need it, too: Kelli Barclay's tap-driven dance routines are demandingly spectacular and endlessly resourceful. Between Ms. Barclay and Don Stephenson, the director, "Will Rogers" flies like a bullet train, more than fast enough to cause you to overlook the fact that the songs are unmemoable and the plot devoid of dramatic conflict. As for Walt Spangler, the set designer,

he's worked seeing-is-believing miracles with the notoriously shallow stage of the Goodspeed Opera House's 398-seat auditorium, making it look as expansive as a Broadway theater.

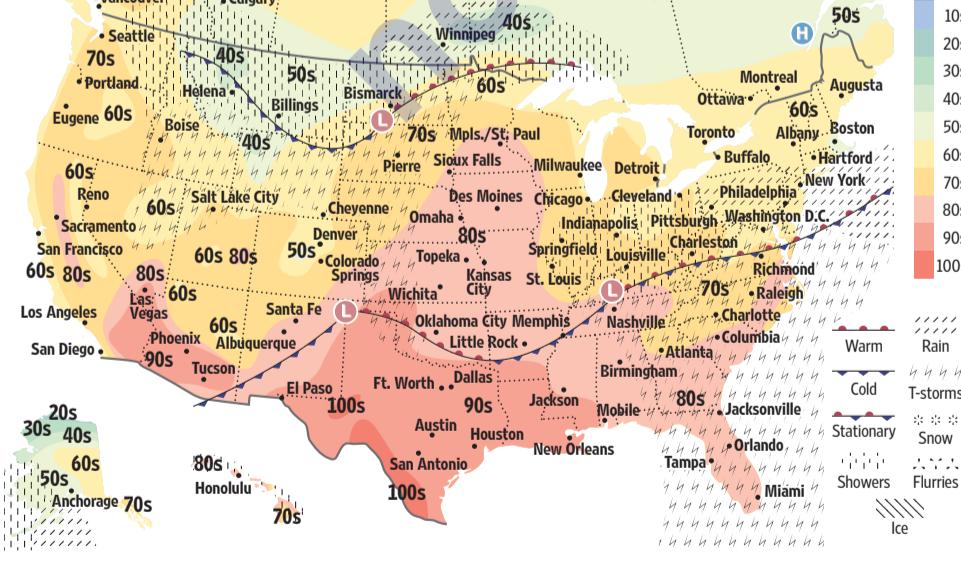
The success of a show like this is wholly contingent on its star, and Mr. Lutken, who understudied Rogers's part in the original Broadway production and is now best known for playing Woody Guthrie in his own "Woody Sez," has star quality in abundance. He's a lanky charmer who effortlessly suggests the real-life Rogers, trotting out one- and two-liners ("My father always liked the New York Times—on account of they never used to clutter up his mind with two points of view") with a deadpan slyness that makes them sound much fresher than they really are.

"The Will Rogers Follies" is no masterpiece, and it's hard to see how it beat out "Once on This Island" and "Miss Saigon" at the 1991 Tonys. But it's squeaky-clean fun, the kind of musical that gives you a rousing good time when done well, and I can't imagine it being done any better than this. If what you've been reading in the papers has got you down, it'll lift you right back up again.

The Will Rogers Follies
Goodspeed Musicals, Goodspeed Opera House, 6 Main St., East Haddam, Conn. (\$29 and up, depending on availability), 860-873-8668, closes June 21

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at tteachout@wsj.com.

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U.S. Forecasts

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

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

Today Tomorrow

Hi Lo W Hi Lo W

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Atlanta 79 68 t 82 69 pc

Austin 93 71 s 91 72 s

Baltimore 64 56 r 74 64 r

Boise 74 49 pc 75 53 pc

Boston 56 49 pc 55 53 r

Burlington 67 46 pc 62 56 r

Charlotte 78 67 t 80 67 t

Chicago 72 54 pc 71 55 pc

Cleveland 71 58 r 77 59 t

Dallas 94 73 s 92 73 s

Denver 69 46 t 53 41 sh

Detroit 70 55 pc 71 58 sh

Honolulu 85 72 s 85 74 pc

Houston 94 73 s 92 73 s

Indianapolis 73 64 t 79 65 pc

Kansas City 85 62 pc 85 62 t

Las Vegas 90 71 s 91 72 s

Little Rock 88 68 pc 94 68 pc

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Milwaukee 65 50 s 65 47 c

Minneapolis 84 60 pc 75 52 c

Nashville 80 65 t 89 68 pc

New Orleans 93 72 pc 93 74 s

New York City 62 52 r 63 59 r

Oklahoma City 88 69 pc 90 62 t

Today Tomorrow

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Berlin 69 50 pc 70 49 pc

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Buenos Aires 62 44 sh 60 42 s

Dubai 94 81 s 98 83 s

Edinburgh 63 43 pc 67 50 pc

Fiji 65 50 s 69 52 pc

Greece 62 47 pc 66 51 pc

Guatemala 67 50 t 69 48 t

Helsinki 63 43 pc 67 50 pc

India 65 50 s 69 52 pc

Ireland 62 47 pc 66 51 pc

Italy 63 43 pc 67 50 pc

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Ivory Coast 63 43 pc 67 50 pc

Jordan 63 43 pc 67 50 pc

Kuwait 63 43 pc 67 50 pc

Lebanon

SPORTS

MLB

The Unmatched Skills Of Shohei Ohtani

Noah Syndergaard



Ohtani

Fastball Velo

Ohtani's average fastball travels at 97.1 mph, trailing just two starters in baseball: Luis Severino of the Yankees (97.6) and Noah Syndergaard of the Mets (97.5). Ohtani has thrown six pitches that reached 100 mph; Severino and Syndergaard have thrown four combined.

League leaders among starting pitchers in average fastball velocity this season

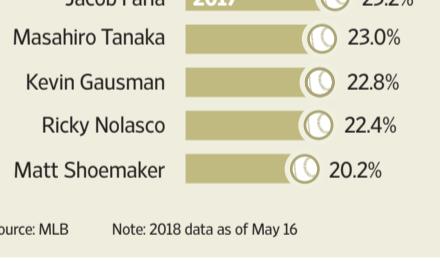
PLAYER	RANK	SPEED
Luis Severino	1	97.6 mph
Noah Syndergaard	2	97.5
Shohei Ohtani	3	97.1
Charlie Morton	4	96.4
Mike Foltynewicz	5	96.2

Splitter

Ohtani has one of the most devastating pitches in baseball: his split-finger. In all, batters have swung and missed on 29.4% of his splitters this season. Meanwhile, the starting pitcher with arguably the best splitter in baseball, Masahiro Tanaka, got batters to swing and miss on only 23% of his last year. So far, Ohtani has thrown 136 split-fingers. He hasn't given up a hit on any of them.

Splitter swing and miss rate

Percentage of split-finger pitches batters swung and missed last season, compared to Ohtani



Source: MLB

Note: 2018 data as of May 16

HAILED AS the "Japanese Babe Ruth"—no pressure—Shohei Ohtani signed with the Los Angeles Angels intending to do something that seemed impossible: thrive simultaneously as a starting pitcher and an everyday batter, a feat hardly attempted, let alone accomplished, in a century.

Ohtani entered Thursday with a .325

batting average, five home runs and a .963 OPS. As a pitcher, he owns a 3.58 ERA in six outings, racking up 43 strikeouts in 32 1/3 innings, or nearly 12 per nine.

Essentially, take all of the best skills of the sport's most elite players, wrap them up into one freakish athlete, and you end up with Ohtani.

Exit Velocity

Aaron Judge emerged as a rookie sensation a year ago because of how hard he hit the baseball—94.9 mph off the bat on average, the best in the majors. Ohtani has nearly matched that, posting an average exit velocity of 94.1 mph, revealing his remarkable ability to consistently make solid contact.

Fast hitters

Leaders last season in hitting exit velocity

Aaron Judge: 94.9 mph

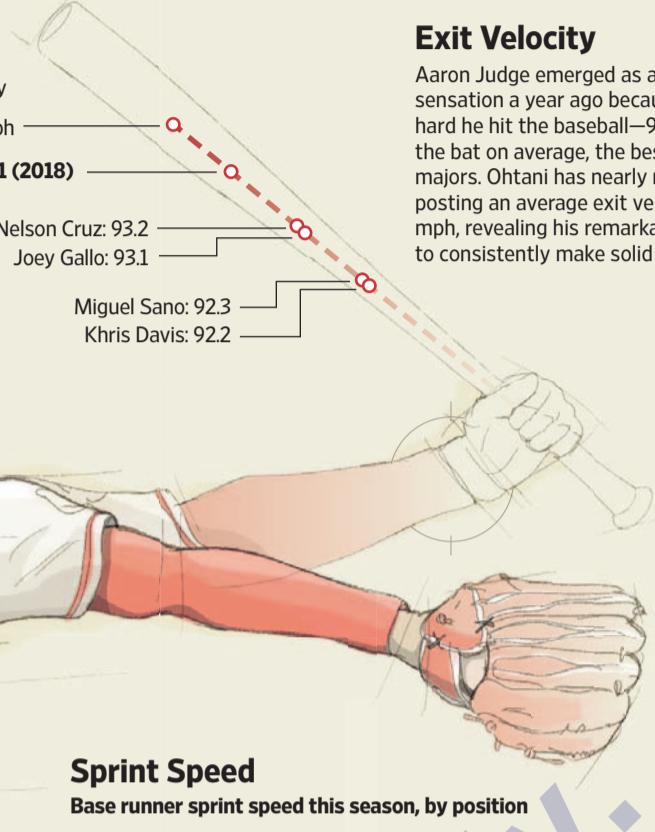
Ohtani: 94.1 (2018)

Nelson Cruz: 93.2

Joey Gallo: 93.1

Miguel Sano: 92.3

Khris Davis: 92.2

**Sprint Speed**

Base runner sprint speed this season, by position



Feet per second:

22

24

26

28

30

32

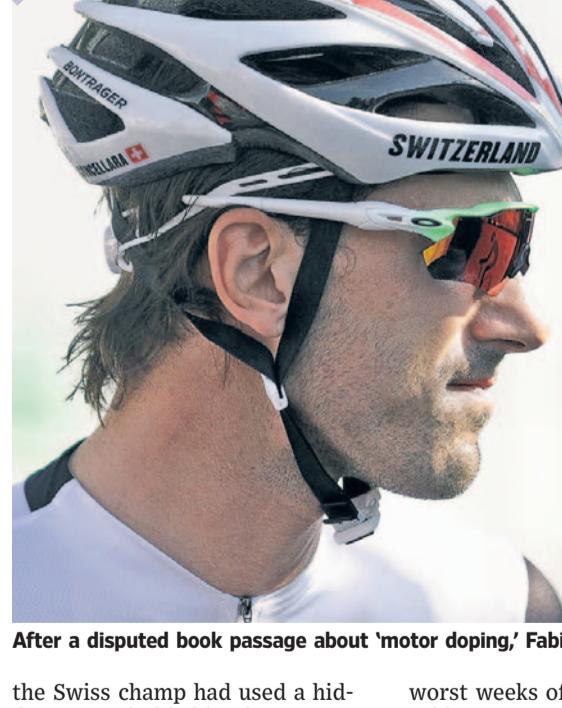
Francisco Lindor

Ohtani's average sprint speed this season, 28.1 feet per second, is well above average. Early in the season he reached almost 30 feet per second, a rate surpassed only by the sport's elite speed demons. So, among other ways he's changing the game, he's also tearing down the convention that a designated hitter is a lumbering slowpoke.

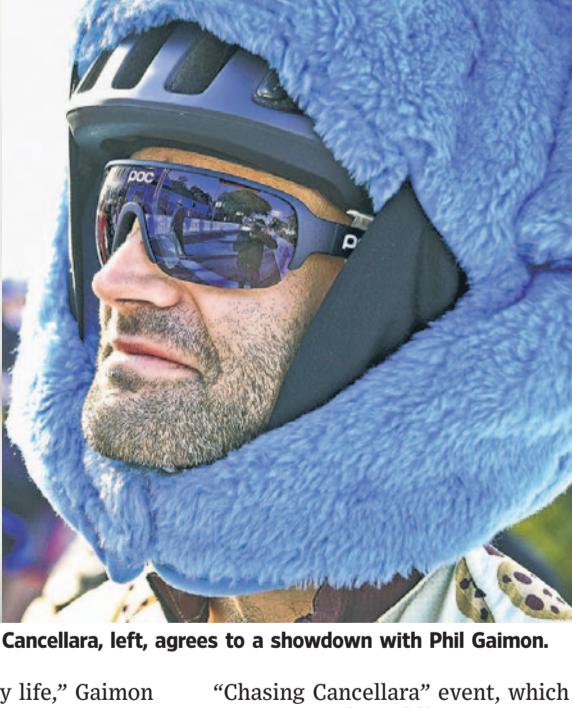
Illustration and graphics by Mike Sudal, reporting by Jared Diamond and Andrew Beaton/THE WALL STREET JOURNAL.

CYCLING | By Jason Gay

THE SUMMER'S CRAZIEST BIKE RACE



After a disputed book passage about 'motor doping,' Fabian Cancellara, left, agrees to a showdown with Phil Gaimon.



ablers. During his racing career, Gaimon went so far as to get an arm tattoo of a bar of soap inscribed with the word "CLEAN."

Since leaving the sport in 2016—the same year Cancellara captured a gold medal in the men's time trial at the Summer Olympics in Rio—Gaimon embarked on a video series called "Worst Retirement Ever," in which he travels and takes on cycling challenges. Gaimon's skill is climbing, and for a while, he was preoccupied with breaking climbing time records set by alleged dopers.

Gaimon's post-racing career has been a surprising success. With his travels and exploits supported by sponsors, he said he makes more money now than he ever did full-time.

The July 1 battle with Cancellara is likely to be a social media moment for cycling fans in the U.S. and Europe. Gaimon chose the anti-hunger charity No Kid Hungry as the beneficiary of his efforts; Cancellara will be riding for the Laureus Sport for Good foundation.

Details are still being fleshed out—the two riders have not communicated directly—but Gaimon told me "it's happening...I bought the plane ticket."

"I don't even know if [Cancellara] knows I'm a climber, because I was so irrelevant in the races he was doing," Gaimon said. Still, he admitted: "I think I'm the underdog."

Cancellara, for his part, sounded ready to make the best of what began as an adversarial situation.

"We can create a nice story for the cycling world," Cancellara said. "We're gonna sweat, we're gonna laugh."

"This is what I want, and in the end, Phil wants," the Man They Call Spartacus said. "We're going to have some fun."

the Swiss champ had used a hidden motor in his bicycle at races.

Gaimon's dig riled Cancellara, who has long maintained his innocence against any claims of "motor doping." There were reports of potential legal action and suggestions that "Draft Animals" could be pulled from shelves—though neither event took place.

"It wasn't nice," Cancellara said in an interview the other day.

Gaimon, meanwhile, found himself barraged by angry emails from cycling fans, and even a couple of death threats, he said.

"Honestly, it was one of the

worst weeks of my life," Gaimon said.

Now the two men, who have never formally met, are turning the tense back-and-forth over Gaimon's book into a good-natured competition. Both sides confirmed that Gaimon will join Cancellara at one of the latter's "Chasing Cancellara" rides in his home country, and, at some point—it looks like it will be a 7-kilometer, 5.2-percent climb to the Col du Pillon—the two will go mano-a-mano.

It was Cancellara who initiated the challenge, using Twitter last fall to invite Gaimon to come to a

"Chasing Cancellara" event, which are open to the public.

"Start training!" Cancellara wrote, adding the hashtag: #nomotoredneed.

Gaimon, who is based in Los Angeles, wasn't sure at first what to make of Cancellara's challenge.

"Every day, I was getting messages: 'Phil, are you going to race Cancellara?'" he said. "At which point, I was like, 'OK, I'll do it.'"

The showdown is another odd post-career twist for Gaimon, a 32-year-old who has been an unabashed critic of cycling's infamous doping culture and its en-

(L-R) BRYN LEWIS/PRESS POOL; STUART PALLEY FOR THE WALL STREET JOURNAL

OPINION

Was Trump's Campaign 'Set Up'?



POTOMAC WATCH
By Kimberley A. Strassel

House Intelligence Committee Chairman Devin Nunes appeared on "Fox & Friends" Tuesday, where he provided a potentially explosive hint at what's driving his demand to see documents related to the Federal Bureau of Investigation's Trump-Russia probe.

"If the campaign was somehow set up," he told the hosts, "I think that would be a problem."

Or an understatement. Mr. Nunes is still getting stiff-armed by the Justice Department over his subpoena, but this week his efforts did force the stunning admission that the FBI had indeed spied on the Trump campaign. This came in the form of a Thursday New York Times apology in which government "officials" acknowledged that the bureau had used "at least one" human "informant" to spy on both Carter Page and George Papadopoulos. The Times slipped this mind-bending fact into the middle of an otherwise glowing profile of the noble bureau—and dismissed it as no big deal.

But there's more to be revealed here, and Mr. Nunes's "set up" comment points in a certain direction. Getting to the conclusion requires thinking more broadly about events beyond the FBI's actions.

Think of the 2016 Trump-Russia narrative as two parallel

strands—one politics, one law enforcement. The political side involves the actions of Fusion GPS, the Hillary Clinton campaign and Obama officials—all of whom were focused on destroying Donald Trump. The law-enforcement strand involves the FBI—and what methods and evidence it used in its Trump investigation. At some point these strands intersected—and one crucial question is how early that happened.

What may well have kicked off both, however, is a key if overlooked moment detailed in the House Intelligence Committee's recent Russia report. In "late spring" of 2016, then-FBI Director James Comey briefed White House "National Security Council Principals" that the FBI had counterintelligence concerns about the Trump campaign. Carter Page was announced as a campaign adviser on March 21, and Paul Manafort joined the campaign March 29. The briefing likely referenced both men, since both had previously been on the radar of law enforcement. But here's what matters: With this briefing, Mr. Comey officially notified senior political operators on Team Obama that the bureau had eyes on Donald Trump and Russia. Imagine what might be done in these partisan times with such explosive information.

And what do you know? Sometime in April, the law firm Perkins Coie (on behalf of the Clinton campaign) hired Fusion GPS, and Fusion turned its attention to Trump-Russia

connections. The job of any good swamp operator is to gin up a fatal October surprise for the opposition candidate. And what could be more devastating than to paint a picture of Trump-Russia collusion that would provoke a full-fledged FBI investigation?

At some point, the Russia investigation became political. How early was it?

We already know of at least one way Fusion went about that project, with wild success. It hired former British spy Christopher Steele to compile that infamous dossier. In July, Mr. Steele wrote a memo that leveled spectacular conspiracy theories against two particular Trump campaign members—Messrs. Manafort and Page. For an FBI that already had suspicions about the duo, those allegations might prove huge—right? That is, if the FBI were to ever see them. Though, lucky for Mrs. Clinton, July is when the Fusion team decided it was a matter of urgent national security for Mr. Steele to play off his credentials and to take this political opposition research to the FBI.

The question Mr. Nunes's committee seems to be investigating is what other moments—if any—were engineered in the spring, summer or fall of 2016 to cast suspicion on Team Trump. The conservative press

has produced some intriguing stories about a handful of odd invitations and meetings that were arranged for Messrs. Page and Papadopoulos starting in the spring—all emanating from the United Kingdom. On one hand, that country is home to the well-connected Mr. Steele, which could mean the political actors with whom he was working were involved. On the other hand, the Justice Department has admitted it was spying on both men, which could mean government was involved. Or maybe... both.

Which brings us to timing. It's long been known that Mr. Steele went to the FBI in early July to talk about the dossier, and that's the first known intersection of the strands. But given the oddity and timing of those U.K. interactions concerning Messrs. Page and Papadopoulos, and given the history of some of the people involved in arranging them, some wonder if the two strands were converging earlier than anyone has admitted. The Intelligence Committee subpoena is designed to sort all this out: Who was pulling the strings, and what was the goal? Information? Or entrapment?

Whatever the answer—whether it is straightforward, or whether it involves political chicanery—Congress and the public have a right to know. And a Justice Department willing to leak details of its "top secret" source to friendly media can have no excuse for not sharing with the duly elected members of Congress.

Write to kim@wsj.com.

A Holiday for the Rule of Law

HOUSES OF WORSHIP By Joe Lieberman

A doctor, an engineer, and a lawyer get into a debate about whose profession is the oldest. The doctor argues that it's medicine: "There must have been a doctor in the Garden of Eden to help God transform Adam's rib into Eve."

"Oh no," the engineer shoots back. "Before that there must have been an engineer who assisted God in changing primordial chaos into the order of the universe." Then the lawyer chimes in: "You're both wrong. There must have been a lawyer there first to create the chaos."

Sure, some lawyers' behavior merits such jokes. But many play a crucial role in maintaining the rule of law, which creates order. A good legal system makes the difference between a civilized society and a chaotic one, and it all began when God gave the Ten Commandments to Moses on Mount Sinai.

For Jews, now is the perfect time of year—between Passover and the much less observed holiday of Shavuot—to contemplate the role of law in our lives.

In the Bible, the exodus from Egypt is not an insulated experience. It is part of a larger cycle that goes from slavery in Egypt, to freedom in the desert, to the Ten Commandments. Every year, religiously observant Jews count the 49 days from Passover to

Shavuot, which begins this Saturday evening. The former holiday emphasizes liberty, the latter law. These values balance each other, which is why it's unfortunate that so few people who observe Passover continue to Shavuot.

Once freed from bondage, the children of Israel had a purpose and a destination. In Moses' first meeting with Pharaoh (Exodus 5:1) he says: "Thus saith the Lord, God of Israel, 'Let My people go, that they may hold a feast unto Me in the wilderness.'" And, then, in his later confrontations with Pharaoh, Moses repeats at God's behest, "Let My people go so that they may serve Me."

How do the children of Israel serve God? By accepting and obeying a code of law, the Ten Commandments. Freedom is not enough. Liberty without law leads to chaos, immorality and violence. Law without liberty is what the Israelites endured under Pharaoh's tyrannical rule.

As in Noah's time, people have a birthright to freedom but they also need laws to protect their freedom, provide them with security and help them maintain their values. That is clearly God's plan.

In the Hebrew Bible, the Ten Commandments were given to the children of Israel for everyone on Earth. Over time the Commandments became broadly accepted, particularly within Christianity and Islam. Early in its history, the Roman Catholic Church

embraced the Ten Commandments as divine revelation. St. Thomas Aquinas taught that God revealed the entire natural law in the Ten Commandments because no man or woman could know, understand or follow it unassisted.

John Calvin put the Hebrew Bible, including the Ten Commandments, at the center of the Protestant Reformation.

Whereas Passover celebrates freedom, Shavuot honors the Ten Commandments.

That brought the legal model of Sinai into Anglo-Saxon law, which the English pilgrims carried with them to America, giving the U.S. a government of laws above its leaders.

In every era, people and nations struggle to find and maintain the balance between liberty and law. Today the Pharaoh's repressive values are dominant in Tehran, Moscow and Pyongyang. The lawlessness of Noah's era continues in Syria, Venezuela and the Democratic Republic of the Congo. The Ten Commandments, the Declaration of Independence and the Constitution require the U.S. to do everything possible to help restore justice and freedom in these societies.

Here in America, the rule of law remains strong, but it faces constant challenges. Will political dysfunction in

Congress and at the White House permanently diminish our republic of laws? I'm confident it won't. The system created by the Founding Fathers—regular elections, checks and balances, an independent judiciary—has held up.

American society faces other threats outside the limits of what law and government can control in a free country. Turn on cable news or pull up a political blog, and a coarsening culture displays itself. It isn't helped by the inappropriate conduct and speech of public figures, which degrades this country and threatens to demoralize our children. It is a long time since Sinai, but the Ten Commandments remain an excellent code of personal values for each of us to try to live by—particularly in areas of private conduct where the government and law cannot go.

There is a lot to think about, discuss and act on during Shavuot, the Festival of the Ten Commandments. This year, whether you are Jewish or not, try considering how you can advance the ideals of the Ten Commandments in your personal and public life—in your community, in this country and throughout this beautiful planet.

Mr. Lieberman, a former U.S. senator from Connecticut, is author of "With Liberty and Justice: The Fifty-Day Journey from Egypt to Sinai" (Maggid, 2018).

On Saturday Prince Charles's younger son, Prince Harry, will marry Meghan Markle. The members of Britain's royal family are at the end of a telephoto lens every public moment of their lives. Regardless of your thoughts about monarchy, no one born into the family, including Queen Elizabeth II, elected to live in that constant glare. Not one of them applied for the job. It began involuntarily on the days they drew their first breaths.

Prince Charles is 69 now, and the ground rules he and his family must accept appear not to have changed much. Last month he was in Australia visiting a military unit, and he briefly lost his footing. The headline in one British newspaper: "Charles wobbles! Sweaty prince stumbles in heat of Darwin as temperatures hit 85F."

It must be such an odd feeling to know you are never the observer, always the observed.

Mr. Greene's books include "Chevrolet Summers, Dairy Queen Nights."

Not that you can do anything about it; when your level of renown is that universal, you are stripped of some of the presumption of humanity the rest of us take on faith, and are instead transformed into a ceaseless series of electronic colors on the screens of strangers. When Charles married Diana, an estimated 750 million people around the globe watched on television.

On Saturday Prince Charles, more than twice as old as he was that July day in 1981, will watch his child wed. In the church at that moment, if he is lucky, he will, however fleetingly, feel blessedly alone with his silent thoughts and a lifetime of private memories. Ask any parent who has sat in such a seat. There is nothing else like it.

Mr. Greene's books include "Chevrolet Summers, Dairy Queen Nights."

BOOKSHELF | By Tunku Varadarajan

How to Survive A Royal Romance

The Duchess

By Penny Junor
(Harper, 294 pages, \$28.99)

Star with a three-part quiz: Which British royal was sent to a hellish boarding school in Scotland, with instructions from his father to the headmaster that the boy's life be made as tough as possible? Which royal hurled herself down a flight of stairs (in the early stages of pregnancy) in a bid to capture her husband's attention? Which had a great-grandmother who was a long-term mistress of her present husband's great-great-grandfather?

The first two woebegone blue bloods are Prince Charles, heir to the British throne, and Diana, Princess of Wales, the late, sainted wife of Charles. The third question is more arcane, and the answer is Camilla, Duchess of Cornwall, Charles's current wife. She is the subject of "The Duchess," Penny Junor's exhaustive (and often exhausting) biography—though in truth, the book is as much about Charles and

Diana as it is about Camilla.

Ms. Junor is a one-woman royal-writing industry. She has churned out biographies of Diana, Charles, Prince William and Prince Harry, as well as a separate book called "Charles and Diana: Portrait of a Marriage." Her latest effort is a treacly blend of bodice-ripping and public relations. There are pages and pages about Camilla's work for a range of social causes that will make eyes everywhere glaze over. Charitable work can be very boring, especially when recounted in punctilious detail. "Every year," Ms. Junor writes of an event in London, "2.1 million women in the UK suffer some form of domestic abuse, and everyone I spoke to that afternoon felt the Duchess of Cornwall's involvement was important."

Mercifully, Ms. Junor is also an avid observer of the non-philanthropic side of life. She delves into the gilded world of Britain's aristocracy, with its concentric circles of the well-born and the titled, the outer reaches of which, while posh, are not good enough for those truly on the inside. Although Camilla was Charles's first serious love—they met in 1971, when Charles was 22—Lord Mountbatten, his great-uncle, thought that she was not sufficiently aristocratic to be his wife. Besides, as Ms. Junor tells us, "she was not a virgin, which was a prerequisite" for any woman who would marry the man next in line to the throne.

At the time, Camilla was in love with another man, Andrew Parker Bowles, a cavalry officer who played polo with Charles. Ms. Junor describes Camilla as "a twinkly, sexy woman with a husky laugh that men adored." She was "a life force and said outrageously funny things," and she married Mr. Parker Bowles in 1973 even though he was a renowned philanderer. A heartbroken Charles skipped the wedding, but such was his attraction to Camilla, Ms. Junor tells us, that he couldn't keep away from his married flame.

After his disastrous marriage to Diana, Charles came to rely heavily on Camilla. Diana referred to her as 'the enemy' and 'the Rottweiler.'

There developed a remarkable situation in which Mr. Parker Bowles came to tolerate, perhaps even welcome, the Prince's love for his wife (who reciprocated, at first, only platonically). And as the cavalryman's own infidelities continued, Camilla "lived with a permanent knot of dread in her tummy, that one day he might leave her. It left her very vulnerable to the attentions of a suitor"—and that suitor was Charles, dogged and devoted.

Charles came to rely heavily on Camilla for support after he embarked on his disastrous marriage in 1981 to Diana. On learning the extent of her husband's love for Camilla, Diana turned angry and vengeful. Long stretches of "The Duchess" are devoted to Diana's mood swings, her machinations and her eating disorders. Had Diana not been transformed into a scorned woman with a gift for manipulating the media, it's conceivable that she and Charles could have reached a truce for the sake of institutional harmony. Had that happened, Camilla would never have returned so formally to Charles's life.

Instead, Diana and Charles waged open war, using the press as their proxies. The cerebral, faddish prince was no match for the princess, whose every photograph sold tens of thousands of newspapers. Camilla, too, took a beating, Diana referring to her as "the enemy" and "the Rottweiler." In an interview with Martin Bashir of the BBC, she thrust Camilla into public obloquy by saying: "There were three of us in this marriage, so it was a bit crowded."

By this time Diana, too, had begun to have affairs, and the royal circus became so squalid that Queen Elizabeth directed Charles and Diana to divorce, which they did in 1996. A year later Diana was killed in a car crash in Paris. The queen's seemingly unfeeling initial response—the Union Jack didn't fly at half-mast over Buckingham Palace, it was explained, because protocol wouldn't allow it—led to the worst crisis the British monarchy faced in the modern era. The mourning flag eventually flew, thanks to pressure from Prime Minister Tony Blair. Change had to come, he said, and the queen acceded.

Change of another kind came too, and Ms. Junor describes—with no minutia left unmentioned—how Charles and Camilla "came out" as a couple at Camilla's sister's 50th birthday party at the London Ritz in January 1999. Charles and Camilla emerged through the hotel doors and stood together "while a bank of cameras flashed, whirred, clicked and rolled." Then Charles "put a guiding hand on Camilla's back to steer her to the waiting car and they were gone."

Ms. Junor's prose is breathless, but it was a breathless moment for a nation tired of royal disrepair. The two married in 2005, and 13 years later Britain appears to have embraced Camilla. Britons surely have more serious things to fret about than the fact that a divorcée will one day be their king's wife. History, Ms. Junor says, will be a kinder judge of Camilla's story than her contemporaries have been.

Mr. Varadarajan is a fellow at Stanford University's Hoover Institution.

Coming in BOOKS this weekend

A 'Big History' of everything • The Opium War & China's Last Golden Age • World War II at sea • A tribute to Tom Wolfe • Young George Washington • Sam Sacks on the Gothic novel • The lives of the Surrealists & more

OPINION

REVIEW & OUTLOOK

Exporting Jobs Instead of Food

House Republicans are brawling over immigration again, and it could scuttle their farm bill. Most of the public debate focuses on the so-called Dreamers. But another big problem receiving less media attention is that the immigration restrictionists are detached from the reality of the American farm economy and a worker shortage that's driving food production overseas.

The farm labor shortage is growing more serious as the overall U.S. jobless rate falls. The Labor Department says about half of the 1.2 million or so workers employed in agriculture are undocumented, and if they were deported the shortage would become a crisis. According to the Pew Research Center, more Mexicans left the U.S. than came between 2009 and 2014. Many farm workers who arrived decades ago are aging, while others have moved to higher-paying jobs like construction.

Mission Produce president Steve Barnard, who started growing avocados in California in 1983, tells us that the contractor he uses to recruit workers cut his labor supply by 50% this year. Many employers have boosted wages. Some California farmers report paying more than \$20 per hour plus perks like 401(k)s and profit-sharing bonuses. Mr. Barnard's workers can earn up to \$400 per day.

This is how a labor market works, and the higher costs are fine for producers of high-value crops. But farmers who grow lower-value crops like lettuce, tomatoes and oranges can't pay as much and some can't find enough workers at any wage. While some farm work is being mechanized, most produce is still hand-picked.

An increasing number of farmers are thus turning to H-2A visas for guest workers. Visa certifications have doubled to about 200,000 over the last four years. But procuring guest workers under current rules is laborious and expensive. Farmers have to prove they tried to hire native workers. Delays are common since the same division of the Labor Department that processes H-2A applications also certifies seasonal H-2B visas. The bureaucrats are known for nit-picking, which can prolong hiring. Farmers in the Santa Barbara region last year reported losing \$13 million of produce because workers didn't arrive in time.

Farmers also have to provide housing for

their workers. This is particularly onerous in California due to restrictive zoning laws, notably coastal areas where avocados and citrus are grown. This is one reason Mr. Barnard says he now produces about 92% of his avocados overseas.

As farmers struggle to find workers, more production has moved abroad. Avocado imports have doubled over the last eight years while U.S. production (measured by acreage) has declined by about a quarter. Since 1999, domestic production has fallen for oranges (by 36%), grapefruits (61%) and asparagus (69%). Imports of fresh fruit and vegetables have swelled. Imports of fresh oranges since 2009 have nearly doubled and tripled for mangoes. This hurts workers in related industries like transportation and food processing. Each U.S. farm worker supports two to three American jobs.

Free-trade agreements aren't the culprit. U.S. production of many fruits and vegetables increased after the North American Free Trade Agreement was ratified. The decline in production and increase in imports also preceded trade pacts with Peru (2009) and Colombia (2012).

All of which should make fixing the H-2A program a priority for Congress, and success could help Republicans hold at least a couple of House seats in California in November. But restrictionists are pushing a Potemkin H-2A reform linked to an e-Verify mandate for all employers, and e-Verify isn't a reliable authentication system.

House Judiciary Chairman Bob Goodlatte is whipping votes for a bill that would limit farm worker visas to 410,000 annually, which would include the existing immigrant workforce. This isn't nearly enough. Worse, falsely documented workers would be required to come out of the shadows and return to their home countries before they can be readmitted. This won't happen because many have families in the U.S. and worry about being barred from re-entry.

Mr. Goodlatte defended his bill on these pages this week, but he doesn't have the votes because he'd make the farm-labor problem worse. If the restrictionists want their priority of more border or internal security, they need to do more to keep farm jobs and production in America.

Richard Pipes

for the West to accommodate itself indefinitely to the presence of the Soviet Union's Communist state. As now with the debates over Islamic fundamentalism, these Cold-War arguments were hotly contested. Possibly there were moments when Pipes gave ground, but we can't recall them. Back then, he was the voice of dissent.

Pipes later joined Reagan's national security team, and the Gipper advanced a military buildup and policies challenging the Soviets across the world that were advocated by Pipes. The real detente came when the Soviets concluded they could not win.

Pipes was a regular and prominent contributor to these pages, his last piece appearing in August 2009. Those who regarded Pipes as unremittingly critical of Russia might be surprised at what he wrote:

"Russia is obsessed with being recognized as a 'Great Power.' She has felt as one since the 17th century, after having conquered Siberia, but especially since her victory in World War II over Germany and the success in sending the first human into space. It costs nothing to defer to her claims to such exalted status, to show her respect, to listen to her wishes."

Richard Pipes was a thinking man's realist on the world's affairs. His habits of mind and argument will be missed.

Trump and Bolton on Libya

President Trump has already run through two national security advisers, and now the press corps is goading him to grind up a third after only weeks on the job. That's the best way to read the media accounts that Mr. Trump threw John Bolton "under the bus" Thursday by contradicting his security adviser on Libya as a model for North Korea.

Mr. Bolton is right, as we'll explain.

The White House aide said recently that U.S. sees the "Libya model" as an example for North Korea to pursue nuclear disarmament. He was referring to Moammar Gadhafi's decision in 2003, after the fall of Saddam Hussein, to renounce his nuclear program and invite U.S. inspectors to examine all of it. Americans literally hauled the equipment out of Libya—in what was a triumph of nuclear non-proliferation.

The analogy infuriated North Korea, however, which denounced Mr. Bolton by name on Tuesday when it threatened to cancel Kim Jong Un's June 12 summit with Mr. Trump. "We do not hide a feeling of repugnance towards" Mr. Bolton, said the Korean statement, adding that North Korea is not Libya, which "met a miserable fate."

The American press ate it up. "Trump's North Korea Nobel buzz could die with John Bolton," thrilled Politico, casting Mr. Bolton as the main obstacle to Mr. Trump's potential diplomatic tri-

umph and a possible Nobel peace prize. Who knew the press corps had such concern for North Korean sensibilities?

A reporter tried to provoke Mr. Trump Thursday about the "comment that Ambassador Bolton made about the Libya model of denuclearization," and he took the bait. "Yeah. Well, the Libyan model isn't a

model that we have at all, when we're thinking of North Korea. In Libya, we decimated that country," Mr. Trump replied. "There was no deal to keep Gadhafi. The Libyan model that was mentioned was a much different deal." This quickly became Mr. Bolton under the bus.

Except the two men are talking about two different events. Mr. Trump is referring to the overthrow of Gadhafi in 2011 amid the Arab Spring uprising inside Libya, long after he had given up his nuclear weapons. Mr. Bolton was referring to the 2003 events and saying the U.S. wants comparable assurances from North Korea that its denuclearization is "complete, verifiable, and irreversible." In that sense, Libya is the model for North Korea.

We trust somebody in the White House will explain this history to Mr. Trump. North Korea is going to be the toughest negotiation of Mr. Trump's life, and he needs Mr. Bolton's counsel to avoid falling for the same false promises that Bill Clinton and George W. Bush did.

North Korea and the U.S. press corps share a common enemy.

model that we have at all, when we're thinking of North Korea. In Libya, we decimated that country," Mr. Trump replied. "There was no deal to keep Gadhafi. The Libyan model that was mentioned was a much different deal." This quickly became Mr. Bolton under the bus.

Except the two men are talking about two different events. Mr. Trump is referring to the overthrow of Gadhafi in 2011 amid the Arab Spring uprising inside Libya, long after he had given up his nuclear weapons. Mr. Bolton was referring to the 2003 events and saying the U.S. wants comparable assurances from North Korea that its denuclearization is "complete, verifiable, and irreversible." In that sense, Libya is the model for North Korea.

We trust somebody in the White House will explain this history to Mr. Trump. North Korea is going to be the toughest negotiation of Mr. Trump's life, and he needs Mr. Bolton's counsel to avoid falling for the same false promises that Bill Clinton and George W. Bush did.

LETTERS TO THE EDITOR

Rent Hikes Won't Make the Poor Better Off

Jason L. Riley's "Why Ben Carson Is Raising Rents" (Upward Mobility, May 9) inaccurately describes the Trump administration's proposals to cut housing benefits for low-income families and HUD Secretary Ben Carson's ever-changing rationale for them.

Raising rents on people living in poverty won't increase "self-sufficiency." For households living paycheck-to-paycheck, an average \$117 monthly rent increase means less money for medications, food and investments in education and training. Eliminating child-care cost deductions makes it harder for families to work.

Mr. Carson's assertions that seniors and people with disabilities are protected from rent hikes are wrong. Current elderly or disabled tenants' rent increases are phased in over six years; new tenants face immediate rent hikes. Mr. Carson's claim that work requirements lead to fewer households needing housing assistance ignores the true cause of today's housing crisis: the gap between incomes and rent. The vast majority of households receiving housing benefits are the elderly, the disabled, people providing full-time care for family members or those working for low wages insufficient to cover high rents. Work requirements may cut people off from the housing and services needed to find and maintain jobs.

If his goal were to help struggling families get ahead, Mr. Carson would call for increasing—not slashing—investments in affordable housing, expanding the Family Self-Sufficiency Program, implementing bipartisan measures to allow residents to keep more earnings and improving existing HUD programs that create more jobs for low-income residents. But the rationale behind raising rents on people

living in poverty is obviously not to help those families. It's to pay for the recent massive tax cuts.

DIANE YENTEL
President and CEO
National Low Income Housing
Coalition
Washington

If the government's goal is truly to encourage HUD residents to move on to private-sector housing, then rent should be lowered to 25% so the renter can save, or the rate should be held at 30% and require 3% to 5% held in an escrow savings account for a period allowing renters access to the funds for a down payment on a home or a non-HUD apartment. Limits on personal savings also need to be lifted to encourage wealth-capacity building among clients who receive public-housing assistance.

If HUD assigned a social worker to every resident and family, it would help generate realistic plans for facing life's challenges and saving for the future. The HUD housing I've encountered is substandard, and the leasing agents overseeing rental agreements on HUD's behalf lack professionalism and offer little in the way of services to lift the poor out of poverty.

Mr. Carson is arguing for a work requirement for all HUD clients capable of working. HUD currently has a program that mandates all those receiving HUD housing assistance and of working age without disabilities to volunteer weekly if they are not employed. However, this rule wasn't enforced while I was a resident of HUD. Let HUD at least get the volunteer rule right first, before mandating a work requirement.

JASON ARNDT
Lombard, Ill.

Republican Disunity Threatens Good Policy

Regarding your editorial "One More Immigration Try" (May 11) and Sen. Pat Toomey's same-day op-ed "Don't Try to Blackmail Us on Nafta, Mr. President": President Obama could count on 100% Democratic support in the House and Senate on major policy matters. President Trump can count only on 100% Democratic opposition to anything he proposes. Democrats hashed out policy differences behind closed doors. GOP voters may be less inclined to rally around a party that has three or four distinct ideological factions lobbing missiles at each other in public.

Mr. Toomey's pro-trade stance is appealing to many GOP voters, but his "Nafta 2.0" ultimatum to the president may not help his cause. GOP factions that prevented the repeal and replacement of ObamaCare handed a victory to Democrats by preserving the status quo. Factions

that today make trade-agreement demands may undermine the Trump administration's negotiating strategy and ultimately leave in place a trade deal that needs updating and improvement. Meanwhile, the 17 House Republicans who signed a "discharge petition" to force a House vote on immigration before the midterms could set the stage for a Democratic "Dreamer" victory that would infuriate other GOP factions.

You contend that a "Queen of the Hill" vote on four different immigration policies would have mostly upside potential for Republicans, but the optics of four bills not passing or a Democratic-favored bill passing and being vetoed by President Trump would reinforce the sense that the GOP is dysfunctional and doesn't deserve to be in charge. How about fewer public threats and red lines, fewer "show" votes that go nowhere and more deliberation and consensus building behind the scenes?

JOHN GREER
Jacksonville, Fla.

Recycled Materials Must Be Clean Enough to Reuse

Beyond the politics of trade policy and tariffs, the U.S. needs to reduce waste volume and clean up its recycled materials to compete in U.S. and Chinese markets ("Recycling Firms Hit by Crushing Economics," Business & Finance, May 14).

Contamination is an issue for any manufacturer using recycled materials. Single-stream recycling targets based on the percentage of total waste stream recycled have led the recycling industry to major inefficiencies. Does it make sense to mix recyclables, contaminate a good portion of them, and then send them to a single-stream facility to pull apart again? Single-stream handling certainly increases recycled volumes but at a high cost and lower quality.

In the long run we are going to have to address our wasteful love affair with packaging and disposable containers.

PETER RUSSELL
Jaffrey, N.H.

Michigan's Law School Should Educate the BRTs

Regarding Jillian Kay Melchior's "The Bias Response Team Is Watching" (op-ed, May 9 and Letters of May 11): The existence of a "bias-response team" at the University of Michigan prompts a key question: Doesn't Michigan run a law school? Yes, and the law school is OK with this Star Chamber nonsense that should have died in Salem, Mass., in the 1690s?

GREGORY MARSHALL
Marietta, Ga.

Pepper ... And Salt

THE WALL STREET JOURNAL



"My kid from my first marriage?
I thought he was your kid
from your first marriage."

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BILL APPLE
New York

OPINION

Fight Beijing's Surveillance State

By Zalmay Khalilzad

Donald Trump wants to use the Chinese telecom firm ZTE, which faces corporate death after violating U.S. sanctions, as a bargaining chip in negotiations with China over trade or North Korea. The president should also remember that China seeks to replace the U.S. as the world's pre-eminent power, and surpassing the U.S. in digital technology has become a key component of its strategy.

Beijing continues to invest heavily in research and development, subsidizing its high-tech industries. As in the past, it is also acquiring technology by forcing American companies to transfer intellectual property in exchange for access to the Chinese market. Sometimes the country is

If China gains dominance over digital technology, it would be dangerous for freedom world-wide.

more brazen and simply acquires secrets through espionage and cyber-theft. China used many of these means to acquire U.S. solar technology, becoming a world leader in renewable energy. Beijing regularly violates World Trade Organization rules with little consequence.

In July 2017 the Chinese government announced that it intends to become the world leader in artificial intelligence by 2025. Protectionism already has enabled the growth of massive digital platforms such as Baidu, Alibaba and Tencent—originally Chinese copies of Google, Amazon and Facebook. Certainly Beijing hopes its digital and artificial-intelligence efforts will sustain the country's robust economic growth, but geopolitical concerns also drive its aggressive ventures. Digital technology, advanced data analytics and artificial intelligence together form a critical new frontier of geopolitical competition.

Beijing is also investing heavily in technology to improve its repressive surveillance state. The rapid digitization of the Chinese people's financial and social interactions is producing unprecedented amounts of personal data. This information remains subject to analysis and scrutiny by the Communist Party, which aims for an unprecedented level of



DAVID GOTTHARD

control over Chinese citizens.

The government hopes to perfect digital imaging and facial recognition. Once it has centralized every citizen's data, it can use artificial intelligence to assess the information and issue a "social credit" score to all individuals. This trustworthiness measure can then be used to determine whether someone can, for example, borrow money or buy a train ticket. In some regions, Beijing has mandated the installation of a special application on mobile phones to scan devices and report material deemed dangerous.

Ominously, China is exporting this model by providing hardware and software to other countries. Features of the surveillance state hold great appeal for existing or nascent authoritarian regimes wishing to control their subjects more thoroughly. Democrats in Southeast Asian countries such as Cambodia are already fearful that local autocrats are building their own surveillance states.

It is also possible that China will seek to project its surveillance state into open societies. In fact, it likely has done so already. Its hacking of the U.S. Office of Personnel Management a few years ago, through which it acquired the security-clearance materials of more than 20 million U.S. government employees and contractors, shows such intent. China may be in the process of profiling Americans more widely. This presents a clear threat to U.S. interests and values.

The U.S. has several options to show it won't abide such a strategy. It can impose targeted tariffs on products from firms that benefit from forced technology transfer. The Commerce Department can also close the joint-venture loophole, even if it isn't popular with American companies that might suffer financial costs. The Committee on Foreign Investment in the U.S. can more aggressively prevent joint ventures on national-security grounds. American companies

and academic institutions conducting research that helps China perfect its surveillance state should also face consequences.

To protect its technology, the U.S. should impose restrictions on Chinese investment in American artificial-intelligence and digital-technology companies. The federal government also can assist companies in protecting their secrets against Chinese efforts to steal them through espionage or cyberattacks by imposing real costs on Beijing for such behavior. The U.S. will need to create the capacity to source technology for national-security systems solely from domestic companies by enacting security-related regulations. Otherwise China or other adversaries could build back doors for subsequent access.

To compete with China politically and to stand up for democratic values, American officials should speak out regularly against the rise of the Chinese surveillance state. The U.S. should also focus its democracy-promotion programs on undermining the development and export of China's surveillance state.

A U.S.-led alliance of like-minded countries—including some nontraditional allies—could help spread digital infrastructure that promotes institution building and good governance. This alliance would aim to build "opportunity states" as an alternative to the surveillance state. In India, an effort to reduce corruption in the welfare system by enrolling every citizen in a digital identification scheme has snowballed into a digital infrastructure that greatly reduces the cost of financial transactions. These systems, known collectively as the India Stack, are reshaping public service delivery and spurring inclusive commercial innovation. This model could help developing countries jump-start economic development and expand broadly shared growth.

The landscape of geopolitical competition has gone digital, and the U.S. currently is not headed for success. But America maintains unique leverage, as the sanctions imposed on ZTE demonstrate. As the Trump administration negotiates with China, it must remember the broader rivalry. Reducing the trade deficit is important, but preventing China from achieving digital dominance is vital.

Mr. Khalilzad was U.S. ambassador to the United Nations (2007-09) and head of policy planning in the Defense Department (1990-92).

Not Everyone Should Go To College

By Oren Cass

"**N**obody knows what a community college is," President Trump said last month in Michigan. "We're going to start using—and we had this—vocational schools." Conflating community colleges with vocational schools is a mistake, though an understandable one. Everyone talks about better vocational programs for students who will not complete college, but prescriptions invariably focus on options for after high-school graduation.

Waiting until students are college age is too late. Elevating vocational education, and prioritizing its students, must begin with a substantial reshaping of American high schools. Vocational education will not succeed so long as culture and public policy consign it to second-class status—a dumping ground for students who interfere with what school districts consider their real mission, college prep.

But that mission ends in failure for most American students. Only 46% of Americans 25 to 29 have attained even an associate degree. Why do we design our high schools for college completers, if fewer than half of students complete college?

Vocational education won't succeed so long as society consigns it to second-class status.

The problem is that schools refuse to track—to separate high-school students into different educational programs that target different outcomes. The impulse is an egalitarian one, but the insistence on treating everyone equally in high school harms students for whom the college track is not appropriate. It deprives them of schooling that could be more valuable and abandons them after graduation ill-prepared for work.

Would a noncollege track prevent some students from achieving their full academic potential? Perhaps. But the risk pales in comparison to the problem of today, when everyone is placed on a track that we know is wrong for most. A well-designed tracking system could mitigate that risk by leaving the choice to students and parents, by providing offramps from one track to the other, and by ensuring that the noncollege track is not undesirable to begin with.

How could a noncollege track be made more attractive? For starters, it could receive comparable resources. Schools lavish tens of thousands of public dollars on students who pursue college, while others, trying to find their own footing in life after leaving high school, get nothing at all. The Trump administration's proposal to let students use Pell Grants for different forms of postsecondary training is a good start. But students on a vocational track shouldn't have to wait until after high school for such resources.

A strong noncollege track would also allow employers to play a much larger role. School hours can be working hours—what Mr. Trump has called "earn as you learn." But vocational students need access to this in high school if that is when their career preparation should begin.

Imagine if traditional high-school academics were compressed. Part of 11th grade would emphasize career selection and readiness, and 12th grade would mark the start of a subsidized internship or apprenticeship. Such a student could have significant work experience, certified skills, and \$40,000 in the bank—before being old enough to drink. And that's for the same cost as what Americans spend on the typical debt-laden college dropout.

With financial viability would also come cultural acceptance. The choice would come to seem normal; employers would know what to expect. Across the other developed economies of the Organization for Economic Cooperation and Development, between 40% and 70% of secondary-school students pursue a vocational track. In Germany, business leaders often begin their careers in apprenticeships.

The current system is not really trackless; it offers a single track, tailored toward those most likely to succeed anyway. If there is to be only one track, why not switch the default? Design the local high school for the needs of the median student, who won't complete even community college. Those aiming for college could enroll in an after-school enrichment program three towns over.

If that's how "no tracking" looked, many of tracking's opponents would probably come around.

Mr. Cass is a senior fellow at the Manhattan Institute and author of the forthcoming book "The Once and Future Worker."

Walmart's Big Bet Could Pay Off for India



Walmart bet big on Indian e-commerce last week with its \$16 billion purchase of a 77% stake in Flipkart. And while the jury is still out on the acquisition as an investment, one thing is clear: It's good news for India.

Walmart's share price fell 3% on the day of the announcement. That's due to investors' fears that the American giant overpaid for a loss-making retailer with annual sales of \$4.6 billion in the year that ended March 31. Last year Flipkart, which has engaged in a discounting war with Amazon to attract customers, lost \$1.29 billion.

But Walmart's belief in the Indian market's potential is well-founded. Only about 15% of Indians shop online today, according to the research firm Gartner. But rising incomes, a youthful population, and burgeoning smartphone sales are expected to power e-commerce growth. The market-research firm Euromonitor estimates that online sales will increase by about 28% per year for the next five years.

Derek Scissors, a scholar at the American Enterprise Institute, points out that China was no economic powerhouse when Walmart entered its market in 1996. "Walmart's ability to procure on a large scale sent a

powerful signal to the world that business could be done in China," Mr. Scissors says. "If the company and Indian authorities make the right decisions, Walmart could help transform India as well."

As Walmart battles Amazon and a clutch of smaller local rivals, Indian consumers will benefit from competition that drives down prices in the relentless pursuit of efficiency. Indian businesses will get access to global know-how and markets. "If you're a small-business owner in India, you don't wake up one morning and know what standards are in the international market," says Mr. Scissors. "Walmart knows. They can get you past all the bumps."

Activists on the Indian left, as well as nativist ideologues associated with the ruling Bharatiya Janata Party, often share the Western liberal caricature of Walmart as a soulless giant flattening everything in its path in pursuit of the last dirty dollar. In reality, a company built on such old-fashioned values as thrift and value for money makes a fine envoy for the free-enterprise system. You can reach many more Indians with a reasonably priced shirt or a sturdy pair of shoes than with a lecture on Adam Smith.

Walmart operates in 28 countries, but it has not always thrived on foreign shores. Over the past 12 years, it has abandoned its forays into Germany and South Korea and struggled

with local competition in China, where it has some 440 stores. Last month, Walmart said it would sell its British arm, Asda Stores, to local rival J Sainsbury. Walmart will retain a 42% share in the combined business.

The retailer could be a powerful champion for free enterprise in a nation of 1.3 billion.

Walmart's bet on India is all the more remarkable because it has struggled there. Due to government restrictions on foreign-owned supermarkets, its 21 "cash and carry" stores in India sell only to businesses, rather than directly to consumers. They account for a mere 0.1% of the retailer's almost \$500 billion in sales world-wide.

In Amazon.com Walmart faces a fierce competitor that has already carved out a 30% share of India's modest \$27 billion e-commerce market. In an annual letter to shareholders, released last month, Amazon CEO Jeff Bezos mentioned India eight times. He touted Amazon.in as "the fastest growing marketplace in India," and he pointed out that Amazon Prime "added more members in India in its first year than any previous geography in Amazon's history."

So can Flipkart change Walmart's destiny in India? It certainly shares the retailing pioneer's entrepreneurial DNA. Its founders, Sachin Bansal and Binny Bansal (they're not related), worked for Amazon as software engineers before setting up the company in 2007 in a two-bedroom Bangalore apartment. That year they sold only 20 books, delivered by motorbike and scooter.

Flipkart grew dramatically from those humble beginnings. In 2011 it became a Singaporean company to dodge some of India's treacherous red tape. Along the way, the startup picked up investments from eBay Inc., the South African media and internet firm Naspers, and Japan's SoftBank Group Corp., among others. (Naspers and eBay are selling their stakes to Walmart; SoftBank is reportedly still weighing its options.)

In a market with low credit-card penetration, Flipkart pioneered the cash-on-delivery model that accounts for more than half of all e-commerce transactions in India.

Marrying Flipkart's knowledge of the Indian market with Walmart's grasp of logistics and distribution could create a new challenge to Amazon and boost efficiency across Asia's third-largest economy. This, then, is the ultimate promise of Walmart's bet on India. If it pays off, shareholders will benefit. But more important, 1.3 billion Indians will get a powerful reminder that capitalism works.

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Notable & Quotable: Pipes

From "Why the Bear Growls," a March 1, 2006, *Journal* op-ed by historian Richard Pipes, who died Thursday at 94:

Russia today, as in the past, consists of a multitude of tiny enclaves to which the government feels no responsibility and which expect very little from those who rule them. Judging by voting results, a mere 10% of Russians, mostly concentrated in large cities, hold Western views of the powers and duties of government.

The cause of this is in some measure the deliberate refusal of the post-communist regime to make a clean break with the Soviet past. Outside of the two capital cities, Moscow and St. Petersburg, the relics of the communist era are everywhere in

evidence. . . . According to opinion polls, nearly one-third of Russians, presumably mostly residents of rural districts and small towns, are not aware that the Soviet regime no longer exists: They still continue to view it as "their" government.

These factors portend lasting trouble in Russia's relations with the outside world. Neither the Russian government nor the population at large is able to establish a modus vivendi with the international community. They feel they are unique, that they are surrounded by enemies, that these enemies deny them their rightful place on the globe. The authorities encourage these feelings because they create a bond between them and their subjects that is otherwise very weakly developed.

Mr. Cass is a senior fellow at the Manhattan Institute and author of the forthcoming book "The Once and Future Worker."

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CBS Board Defies Shari Redstone

Directors vote against National Amusements, but both sides fail to agree on who won

BY KEACH HAGEY
AND JOE FLINT

CBS Corp. and its controlling shareholder **National Amusements** Inc. are so entrenched in a power struggle that they can't even agree on the outcome of a board vote.

On Thursday, CBS said its board voted to strip National Amusements President Shari Redstone and her family of their voting control over the media company.

CBS said the 11 of the 14 board members not affiliated with National Amusements

supported the proposal. But that tally fell short of the threshold the Redstones believe is required for approval after they moved to amend the company's rules on Wednesday.

The boardroom drama sets the stage for what could become a prolonged legal battle over governance of the media giant. At the heart of the fight is CBS's contention that Ms. Redstone is trying to force it to merge with **Viacom** Inc., the other media company in the family's empire. Ms. Redstone denies the assertion.

The battle could have significant ramifications for the broader media landscape, determining the leadership and ownership of the television powerhouse, and whether it will remain independent.

CBS said its directors approved a stock dividend that would dilute National Amusements' voting power from nearly 80% to about 20%.

Normally, such a proposal



CBS contends
Ms. Redstone is trying to force the broadcaster to merge with Viacom.

would require a simple majority vote. But National Amusements amended the company's bylaws on Wednesday to require 90% of board members to approve such a move.

That is the reason the two sides now have different inter-

pretations of the outcome of the board meeting.

CBS said the dividend won't take effect until Delaware courts have determined it is permissible.

"The Board of Directors has taken this step because it believes it is in the best interests of all CBS stockholders, is necessary to protect stockholders' interests, and would unlock significant stockholder value," CBS said in a statement, in reference to the vote. CBS also said it has postponed its annual meeting, which was scheduled for Friday.

In the wake of the vote, National Amusements said the board's plans to issue a dividend are invalid.

"CBS management and the special committee cannot wish away the reality that CBS has a

controlling shareholder," National Amusements said in a statement.

"NAI [Wednesday] exercised its legal right to amend the company's bylaws to require a supermajority vote on certain board actions with respect to dividends, effective immediately. In light of the Board's action today, that action was plainly necessary, and it is valid."

Regardless of the outcome of the legal dispute, Thursday's vote count represented a remarkable rebellion of a company's board against its controlling shareholder.

The stakes are also high for CBS Chief Executive Leslie Moonves. If he loses, he would face the prospect of operating the company under Ms. Red-

Please see CBS page B2

PayPal Acquires Fintech Startup

BY BEN DUMMETT
AND PETER RUDEGEAIR

PayPal Holdings Inc. said Thursday it agreed to buy European financial-technology startup **iZettle** AB for around \$2.2 billion, a move that will catapult the U.S. digital-payments giant into hundreds of thousands of brick-and-mortar retailers around the world.

The acquisition, the largest in PayPal's history, sets up a showdown between the San Jose, Calif., company and Jack Dorsey's **Square** Inc., which has built a big payments business catering to coffee shops, flea-market vendors and millions of other small businesses with physical locations that PayPal historically overlooked.

Stockholm-based **iZettle**, which has been called the "Square of Europe," builds devices and technology that nearly 500,000 businesses in around a dozen European countries, Mexico and Brazil use to accept credit cards. Most of those countries are ones where PayPal has a small presence already, and it plans to roll out **iZettle** devices in some of its biggest markets, including the U.S.

PayPal's goal is to give a more comprehensive offering to retailers that want to sell products in stores and across digital platforms, Chief Executive Dan Schulman said in an interview, at a time when competition from **Amazon.com** Inc. and traditional retailers is fierce.

"Helping small businesses compete with the giants in the market really resonated for both of us," Mr. Schulman said. He added that combining PayPal's services with **iZettle**'s will allow the company to offer a "full-service, one-stop-shop solution" to current and prospective customers.

The deal also will help PayPal offset the loss of one of its largest sources of customers: **eBay** Inc., the online marketplace that owned the payments firm until it was spun out as a separate company in 2015. PayPal shares fell more than 12% earlier this year when eBay, which had accounted for around one-fifth of PayPal's 2017 revenue, said it would start managing the payments flow of buyers and sellers transacting on its website.

The shares have recovered much of that drop, and after they soared last year, PayPal has a market value of more than \$90 billion.

Meanwhile, Square has been moving into PayPal's turf. Square Cash, a smartphone

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on the precipice of this wave," said Chris Berry, founder of **House Mountain Partners** LLC, a New York-based adviser to battery-metals companies and investors. "You're going to need a lot of investment in a hurry to meet demand."

Japan's **SoftBank Group** Corp. last month paid nearly \$80 million for a roughly 10% stake in **Nemaska Lithium** Inc., a Quebec-based producer.

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♦ Heard on the Street: China's grip won't last forever B12



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CBS

Continued from the prior page
stone's oversight after effectively going to war with her.

Ms. Redstone has been eager to reunite CBS and Viacom since 2016, when she assumed day-to-day control of National Amusements from her ailing father, Sumner Redstone.

Viacom has struggled in recent years as its two primary sources of revenue, distribution fees from pay-TV operators and advertising revenue, have been hurt by its underperforming cable networks including MTV and Nickelodeon.

Conversely, CBS, while weathering some challenges common across the TV landscape, has experienced significant growth in its pay-TV distribution fees and

Executive Robert Bakish to have a significant role after a merger. CBS balked at that as well as at the subsequent idea of a board seat for Mr. Bakish.

People close to Ms. Redstone indicated she was growing frustrated with what she saw as resistance from CBS and was considering making changes to the board. She took a similar approach at Viacom, when she overhauled the board of directors to force out Philippe Dauman as chairman and chief executive in 2016.

The media company and its special committee of independent directors filed a lawsuit in Delaware court this week against National Amusements and the Redstones to try to prevent them from replacing the board and forcing a merger with Viacom. National Amusements has denied that it was planning to take those actions.

As part of CBS's legal effort, the company requested a temporary restraining order.

The judge denied CBS's request earlier Thursday, before the board vote. Judge Andre Bouchard said legal precedent favored controlling shareholders' right to make pre-emptive moves to protect their power.

The court also found CBS wouldn't face irreparable harm without a restraining order, because it has other avenues to pursue legal action if the Redstones remove directors improperly or try to force a deal with Viacom in a way that is detrimental to shareholders.

CBS shares fell 4% Thursday, while Viacom shares were roughly flat.

CBS said in a statement, "While we are disappointed that the judge did not grant a [temporary restraining order], the ruling clearly recognizes that we may bring further legal action to challenge any actions by NAI that we consider to be unlawful, and we will do so."

National Amusements said it was pleased by the court's ruling.

Ms. Redstone believes both companies will be stronger as a combined entity.

programming revenue over the past decade.

Ms. Redstone expects both companies to be stronger as a combined entity. CBS is concerned that its leverage with the cable- and satellite-TV distributors that carry its channels will be hampered by adding the Viacom networks to its portfolio.

In 2016, CBS and Viacom tried unsuccessfully to reach an agreement on a deal and the issue was tabled. Earlier this year, Ms. Redstone brought the two back together for more negotiations.

NAI said the two sides came to an agreement on price, while CBS had denied that. But both sides agree that the deal stalled primarily over Ms. Redstone's desire for Viacom Chief

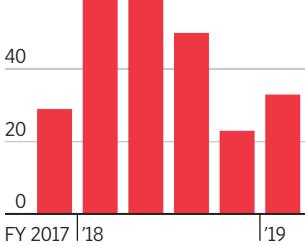
programming revenue over the past decade.

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Clicking Again

Walmart's e-commerce growth picked up in the latest quarter after a worrisome falloff in the preceding period.

U.S. e-commerce sales growth



RETAIL

Continued from the prior page

Some that reported results this week also said they hadn't yet seen much of a boost from the U.S. tax overhaul that should leave households with more spending money this year.

Walmart, the world's biggest retailer, said Thursday that sales in its latest quarter rose both online and in stores, driven by higher grocery sales and more competitive prices and services online. The results eased some fears earlier this year that growth on the e-

commerce side of its business was slowing.

The economy is strong overall, though some shoppers are feeling the pinch from rising gas prices, said Walmart Chief Financial Officer Brett Biggs in an interview. "What we are seeing in the stores feels like what it's felt like over the last 24 to 48 months," he said.

The Commerce Department said Tuesday that April retail sales—a measure of spending at stores, shopping websites and restaurants—rose a seasonally adjusted 0.3% from the prior month. The April increase followed stronger-than-expected growth for March, a

relief for analysts who had worried about a late-winter slowdown in consumer spending.

Walmart reported that U.S. same-store sales rose 2.1% in the quarter ended April 30. Its e-commerce sales rose 33% from a year earlier, topping 23% growth for the preceding quarter. E-commerce still accounts for a sliver of the company's business, but it is the fastest growing part.

Grocery sales were strong, although other product sales were somewhat sluggish due to "unseasonably cool weather in April," Walmart said. That has since reversed, said executives.

Penney and Home Depot Inc., which reported earlier this week, also cited cool weather for sluggish April sales. Home Depot's same-store sales still rose 4.2%, driven by home-improvement projects.

Shares of Penney fell 12% on Thursday, while Walmart shares slipped 1.9% and Macy's gained 2%.

On Wednesday, Macy's said sales, excluding newly opened or closed locations, rose 3.9% in its latest quarter, a sign that the department-store giant is pulling out of a prolonged slump. "The customer is feeling confident, and is out there ready to spend," Macy's

CEO Jeff Gennette said Wednesday.

Penney suffered from continuing weakness in its women's and children's apparel offerings and supply-chain problems that forced it to liquidate some holiday goods. But it said it continued to pick up market share for appliances as Sears Holdings Corp. closed stores.

Nordstrom's shares fell more than 6% in after-hours trading after the retailer reported that same-store sales rose just 0.6% in the three months to May 5. Nordstrom's gross profit was hit by costs related to its first Manhattan store, which opened in April.

BUSINESS & FINANCE



A Cleveland Cavaliers game last week. The new tax law is causing companies to rethink buying season tickets to pro-sports events.

Tickets, Other Perks Put at Risk

BY RUTH SIMON

A wholesale distributor plans to replace some expense-account lunches with open houses for customers. A marketing firm has stopped reimbursing employees' commuting expenses and is giving them raises instead. A tax-audit defense firm is giving up its season tickets to Sacramento Kings basketball games.

These are some of the ways small-business owners are responding to changes in the tax law that reduce or eliminate some popular deductions for meals, entertainment and transportation, though many of the fine points are unclear.

For instance, the changes eliminate the deduction for sports tickets, concerts and other client entertainment, and set new limits on deductions for certain employee meals. Among the uncertainties is whether companies will still be able to claim a 50% deduction for business meals with customers or business associates, or whether those expenses will be considered entertainment, which is no longer deductible. "That's the one that has got everyone jumping up and down," said Marianna Dyson, of counsel to Covington & Burling LLP.

The tighter limits, which take effect this year, will generate more than \$41 billion in tax revenue between 2018 and 2027, according to Joint Committee on Taxation estimates. The changes were designed in part to help offset corporate tax cuts and to simplify an area that some members of

Picking Up the Tab Gets Pricier

The new tax law reduced or eliminated deductions for meals, entertainment and certain employee benefits. Some of the changes:

Type of expense

◆ Treatment under old law ◆ Treatment under new law

Sports tickets, concerts and other client entertainment

50% deduction for face value of tickets if business is discussed ◆ No deduction

Meals provided for the employer's convenience on or near the business premises; meetings that include a lunch fee

50% to 100% deduction ◆ 50% deduction; no deduction after 2025*

Reimbursements for employee parking fees, transit passes and bicycle-commuting costs

100% deduction ◆ No deduction

*After 2025 meals may still be deductible if they are for specific business purposes, like training.

Source: accounting firms

Congress felt was difficult for the Internal Revenue Service to enforce.

Big corporations are less sensitive to the changes because the cut in the corporate tax rate to 21% lowered the deductions' value, said Robert Delgado, head of a compensation and benefits group at KPMG LLP. Most small businesses, by contrast, are set up as limited liability companies, partnerships, sole proprietorships or other pass-through entities, which are taxed at top rates of 29.6% to 37%. Small firms also tend to operate with thinner margins and to be more sensitive to tax-rate changes.

A-Tech Consulting Inc. in Orange, Calif., won't hold its annual client-appreciation day at the Los Angeles Angels' stadium this year because it isn't certain if the cost of the event, which employees also attend, is still deductible, said Chief Executive Casandra Williams.

"We have season Rams tickets—the invoice is sitting on my desk," said Ms. Williams, who hasn't decided whether to write the check to the National Football League team. "Do we

do this, or do we not? What is our return on investment?"

Business owners also are cutting back on drinks and dining.

Mike Duncan, president of **Johnstone Supply** in Greenville, S.C., a wholesale distributor of heating, ventilation and other products, said he initially planned to cut back on client lunches. When salespeople objected, he decided to put more emphasis on hosting open houses and to ask manufacturers and vendors to purchase food.

Some business owners are reshaping practices to retain tax benefits. **Smart Chemical Services**, an Amarillo, Texas, supplier to the oil-and-gas industry with 110 employees, will incorporate continuing education and training into employee meetings so that meals will remain deductible.

Small Army Inc., a 40-person advertising and marketing agency in Boston, in April stopped reimbursing employees roughly \$110 a month for commuting expenses because the benefit is no longer deductible and instead gave each employee an annual raise of about \$1,500.

"How do you justify to your board of directors that you are incurring expenses that are nondeductible?" said Mark Olander, CEO of **TaxAudit**, a tax-audit defense firm near Sacramento that opted not to renew season tickets for the Kings. "I have tried it in the mirror—and can't even do it with a straight face."



Brine pools from a lithium mine in Chile. The number of companies producing lithium has soared.

cycles reflect uncertainty about which ones will end up on top and the risk still involved in the fledgling market.

Analysts expect demand for the materials used to power electric vehicles and smartphones to more than double by 2025, pushing transportation and technology companies into exploring unconventional deals to meet that pressing need.

clines reflect uncertainty about which ones will end up on top and the risk still involved in the fledgling market.

The number of companies producing lithium and cobalt has also soared from early 2014, when Tesla CEO Elon Musk announced plans for a big electric-car battery plant.

Because most investors looking for exposure to cobalt and lithium take positions in mining companies, analysts said the recent share-price de-

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BUSINESS NEWS

Retailer BJ's Files For IPO

By AUSTEN HUFFORD

BJ's Wholesale Club Holdings Inc. on Thursday filed for an initial public offering, a relative rarity of late for a retailer.

The company's private-equity owners expect to raise at least \$400 million in a deal that could value the warehouse chain between \$2 billion and \$3 billion, The Wall Street Journal reported last month.

Founded in 1984, BJ's has 215 locations in 16 states in the Eastern U.S. The company, based in Westborough, Mass., has about 26,500 employees and \$12.75 billion in annual sales. In its most recent fiscal year, which ended in February, the company had a profit of \$50.3 million.

The company also reported Thursday that Chief Executive Christopher Baldwin would add the title of chairman. Non-executive Chairman Laura Sen, a former CEO of the chain, resigned from the board in March.

BJ's was publicly traded until it was taken private in September 2011 by private-equity companies **Leonard Green & Partners LP** and **CVC Capital Partners Ltd.**

The deal was worth nearly \$3 billion at the time, and the private equity backers have since paid themselves a number of dividends.

In the filing Thursday, BJ's Wholesale said \$100 million worth of shares could be sold, though that is a typical placeholder figure used to calculate a deal's registration fee and frequently is updated as the public offering moves forward.

Retail IPOs have been rare as the industry has been roiled by online competition.

BJ's is smaller than other membership-only shopping warehouse stores, including Costco Wholesale Corp. and Walmart Inc.'s Sam's Club.

With more than five million paying members, BJ's said its membership fees generated \$259 million last year.

—Maureen Farrell contributed to this article.

Fox News Names CEO In Shake-Up

By JOE FLINT

Suzanne Scott, the longtime programming chief of Fox News, has been named chief executive of the top-rated cable news channel in an executive reorganization.

Ms. Scott's promotion is part of broader changes across Fox News parent **21st Century Fox** in advance of the company's proposed sale of the bulk of its entertainment assets to **Walt Disney Co.**

Jack Abernethy, who was co-president of Fox News, will leave the channel but remain at 21st Century Fox as CEO of the Fox Television Stations Group. He will relocate to Los Angeles to work with Fox Broadcasting and Fox Sports, which are based there. Those units and the Fox News unit aren't part of the Disney sale.

Earlier this week, 21st Century Fox said Lachlan Murdoch would become CEO of the "New Fox" if the Disney deal goes through. He would also serve as co-chairman with his father Rupert Murdoch.

John Nallen, the chief financial officer of 21st Century Fox, will become chief operating officer of the new entity. James Murdoch, currently CEO of 21st Century Fox, plans to leave the company, The Wall Street Journal has reported.

Ms. Scott has been with Fox News since it was launched in 1996, rising up the ranks.

"Suzanne has been instrumental in the success of Fox News and she has now made history as its first female CEO," Lachlan Murdoch said.

Ms. Scott currently is the only woman leading a broadcast or cable news operation.

Fox News also has named Jay Wallace president of Fox News and executive editor. He most recently served as president of news and editorial.

21st Century Fox and Wall Street Journal parent **News Corp** share common ownership.

Kroger Orders Up Online Help

Grocery chain enlists U.K. firm to equip and operate warehouses for home delivery

By HEATHER HADDON AND SAABIRA CHAUDHURI

Kroger Co. has struck a deal with a British grocer known for its use of warehouse robots, as the biggest U.S. grocery chain aims to supercharge its online delivery business in the face of competition from **Amazon.com Inc.** and **Walmart Inc.**

Kroger has agreed to raise its stake in **Ocado Group PLC** to more than 6%, and to license technology from the British company to run automated warehouses and process online orders. The companies said they would identify locations for three new warehouses this year and a total of 20 warehouses in three years.

Kroger Chief Executive Rodney McMullen said that the companies began discussing a partnership years ago and that it wasn't a direct response to Amazon's \$13.7 billion purchase of rival grocer Whole Foods last year. The talks intensified in recent months after Ocado improved its online grocery-delivery business, he said.

"They've done an incredible job over the years continuing to improve the experience for the customers and the economics as well," Mr. McMullen said in an interview Thursday.

The U.K. firm, which calls itself one of the world's largest online-only grocery retailers, said Kroger's latest investment in Ocado is valued at £183 million (\$247.3 million). The company took its original stake of more than 1% earlier this year.



Ocado both sells groceries online and licenses its technology.

Kroger finance chief Michael Schlotman said the company will expend further capital to build the warehouses, which Ocado will operate. He said the added capacity should save the company in other areas of operations, while also widening access to markets, including some dense urban areas that Kroger has tended to ignore.

Mr. Schlotman said at an investor conference Thursday that Kroger generally seeks investments that will return at least 11% in earnings after taxes, and the Ocado agreement "didn't have any trouble clearing that hurdle."

Shares of Ocado, which in addition to selling groceries licenses technology and equipment to other grocers, rose 50% to a record in London trading as investors cheered the overseas deal, its fourth this year. Kroger shares, which have slipped this year, rose 1.4% on Thursday. Amazon's push into the grocery business, as well as weak inflation in

food for the home, has weighed on supermarket stocks over the past year.

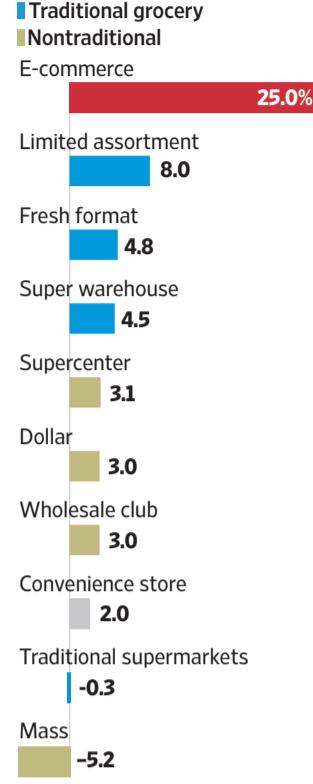
Even as Kroger has invested in technology instead of opening new stores, investors have punished the grocer's stock, which dropped 12% in a single session when its latest quarterly report showed gross margins had declined from a year earlier.

Walmart is focusing on food retail operations, too. The U.S.'s largest retailer said on Thursday that sales rose in its latest quarter thanks in part to its grocery business. Walmart hopes to have its grocery-delivery service capable of reaching 40% of the U.S. population by the end of this year.

Walmart has pursued online-delivery partnerships aggressively. Most recently, it agreed to take a majority stake in Indian e-commerce company Flipkart. Amazon is expanding its Whole Foods delivery sites and said earlier this week that it will give Amazon Prime members additional discounts

Food Sources

Average annual change projected for grocery sales, 2016-2021



Source: Innar Willard Bishop Analytics
THE WALL STREET JOURNAL.

at the natural-foods chain.

Ocado, which was founded in 2000 by three former Goldman Sachs bankers, has become a world leader in online grocery sales, a tricky business that even Amazon has struggled to master.

Some grocers have workers collect items for online orders within retail stores, instead of from dedicated warehouses. Ocado Chief Executive Tim Steiner has described this method, called store picking, as "a really stupid business," saying it piles additional costs onto already low margins

while cannibalizing sales.

At Ocado, thousands of robots at its facilities communicate via advanced network technology to pick groceries out of storage and fill as many as 65,000 orders a week. Artificial intelligence helps to continually optimize those operations.

Ocado's technology has become increasingly attractive to those looking to bulk up their online operations since Amazon bought Whole Foods. Mr. Schlotman said Kroger's deal with the U.K. company is exclusive across the U.S. "This relationship with Ocado demonstrates that we do evolve our thinking," the finance chief said.

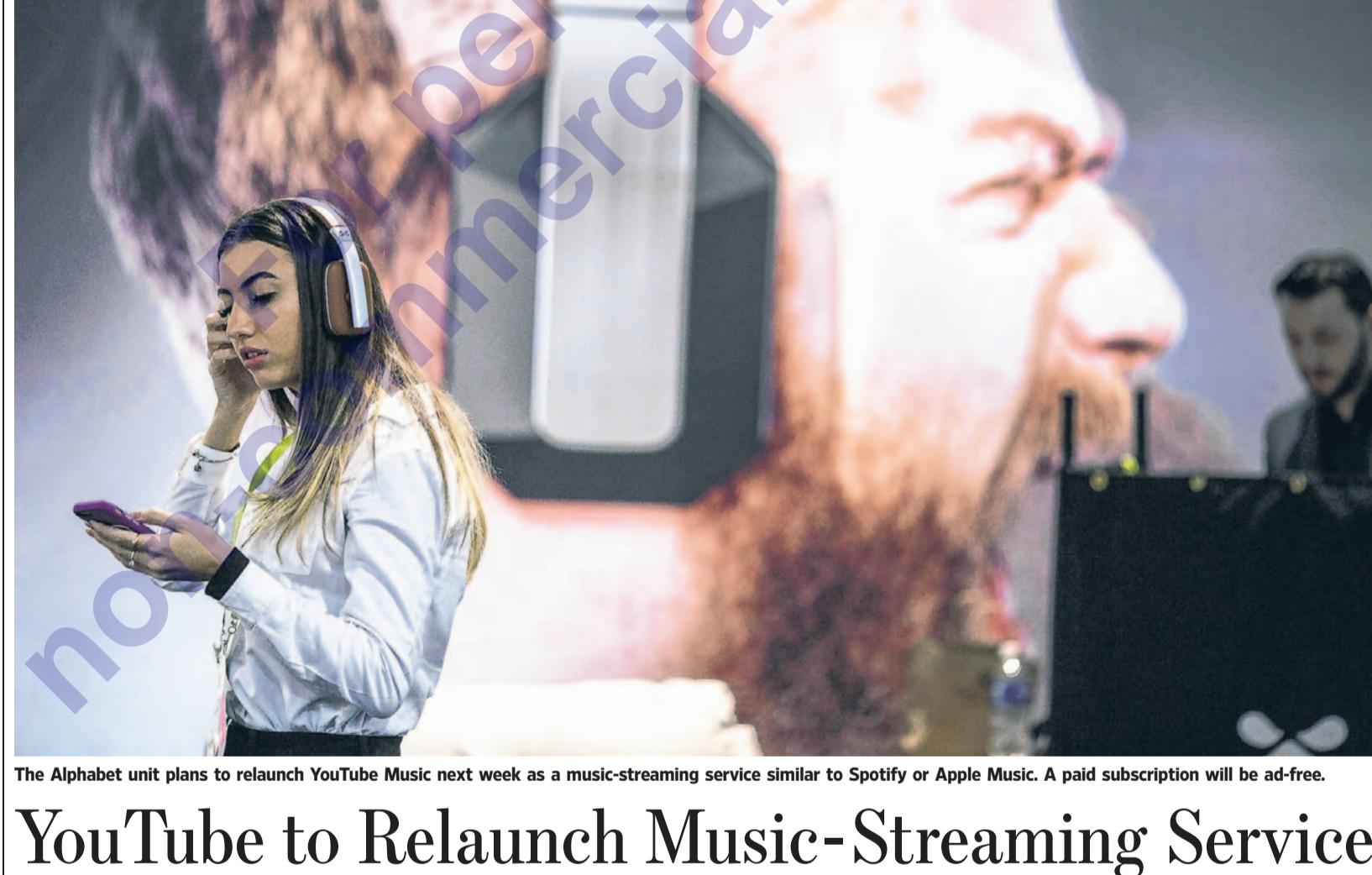
Kroger so far has focused its online grocery efforts on opening hundreds of sites at stores where customers can pick up groceries ordered online. It has also worked with Instacart Inc. and Uber Technologies Inc. to test online grocery delivery.

Analysts said Ocado could help Kroger process deliveries efficiently and give it a jump on competitors. But the stake and other investments for online expansion could further weigh on the grocer's profit, they said.

J.P. Morgan analyst Ken Goldman called the deal "modestly constructive" for Kroger, while cautioning clients that the U.S. food retail industry is "littered with examples of European companies failing to replicate their success here."

Mr. McMullen said that Ocado's experience would translate well to the U.S. market, and that the deal won't prompt Kroger to lower its earnings outlook.

◆ Heard on the Street: Kroger gambles on food delivery... B12



The Alphabet unit plans to relaunch YouTube Music next week as a music-streaming service similar to Spotify or Apple Music. A paid subscription will be ad-free.

YouTube to Relaunch Music-Streaming Service

By ANNE STEELE AND DOUGLAS MACMILLAN

YouTube has long been the world's most popular music service—and one of the music industry's biggest headaches.

Now amid increasing competition from **Spotify Technology SA** and pressure from music companies, the **Alphabet Inc.** unit will try to persuade people to pay a monthly fee for an unlimited supply of music.

But the service will be primarily audio-driven, a departure for the company that has always been synonymous with online video.

On Tuesday, YouTube will relaunch YouTube Music as a music-streaming service much like Spotify or Apple Music.

"When you ask our users how they consume music we're always mentioned but it's often another streaming service and YouTube," said Lyor Cohen, a former music industry executive who has been head of music for YouTube and Google since 2016. "They have several apps."

The new YouTube Music aims to become a one-stop

shop. The music app will serve up playlists, albums and stations based on time of day and location.

Like Spotify, there will be both a free, ad-supported option and one that comes with a price. A YouTube Music Premium subscription, at \$9.99 a month, won't have ads and will allow offline music listening.

Spotify declined to comment.

YouTube has long had a contentious relationship with the music industry. Its video-streaming platform alone accounts for twice as much time spent listening to music as all paid audiostreaming services combined, according to the International Federation of the Phonographic Industry.

But the payout from those streams is much smaller than what subscription services generate.

Artists and labels receive an estimated \$1 annually in revenue per YouTube user, compared with \$20 a year per Spotify subscriber, according to IFPI.

Music videos have helped

users spend watching videos on the site, which in turn lets the company show them more ads. YouTube has said users watch more than one billion hours of video on the site every day.

Google also sees music streaming as a way to attract more users to its mobile devices and smart-home speak-

The platform has had a contentious relationship with the music industry.

ers, such as the ones on which **Apple Inc.** and **Amazon.com Inc.** offer their own paid streaming services.

Google had sold 14 million of its Google Home speakers as of last December, compared with Amazon's 31 million Echo devices, according to Consumer Intelligence Research Partners LLC.

Music labels have been urging

Alphabet's various units to do more to get users to pay for their music services, a hodgepodge of offerings that compete with each other but have gained little traction against rivals.

It expanded its Google Play Music in 2013 to include an "All Access" on-demand music-streaming service for \$9.99 a month.

In 2014, it introduced Music Key, with ad-free streaming of music videos from certain labels on YouTube and music from Google Play; that service was relaunched in 2015 as YouTube Red, expanding ad-free and offline access to all YouTube videos for \$9.99 a month. A Red subscription also includes access to original YouTube video series and movies.

YouTube Music was launched in 2015 as an app for watching (or just listening to) music videos. The ad-supported version is free; a Red subscription offers additional features such as letting the music continue playing even if a user clicks over to another app or puts her smartphone to sleep.

Among the changes starting

to roll out Tuesday, YouTube Red will be rebranded as YouTube Premium and cost \$11.99 a month. (YouTube Music Premium offers no ads on music-video content only; YouTube Premium offers no ads across all of YouTube.)

Google doesn't disclose subscriber figures for either streaming service, but people familiar with the numbers say that YouTube Red and Google Play subscribers combined rank Google a distant third in subscriptions, behind Spotify and Apple Music.

Last summer, Mr. Cohen said Google should combine Google Play Music with YouTube Red to make those services less confusing to consumers.

For now, the Google Play streaming service, which also includes a download store and media player, will remain available until those features can be added to YouTube Music.

Many in the record business have their doubts, noting that even with a massive free-user base, YouTube has failed to win over paying users in significant numbers.

TECHNOLOGY

WSJ.com/Tech

Tips for Decoding Privacy-Policy Gibberish

By JOANNA STERN

 This policy applies to all operations of the Service. Our lawyers said so. We may refer to the Company as "we," "us," or "our" because companies have feelings, too. Thereto whilst we hope you are discouraged from reading this legalese, henceforth you expressly consent to the collection, use, and disclosure of all your personal information, defined as that which defines you.

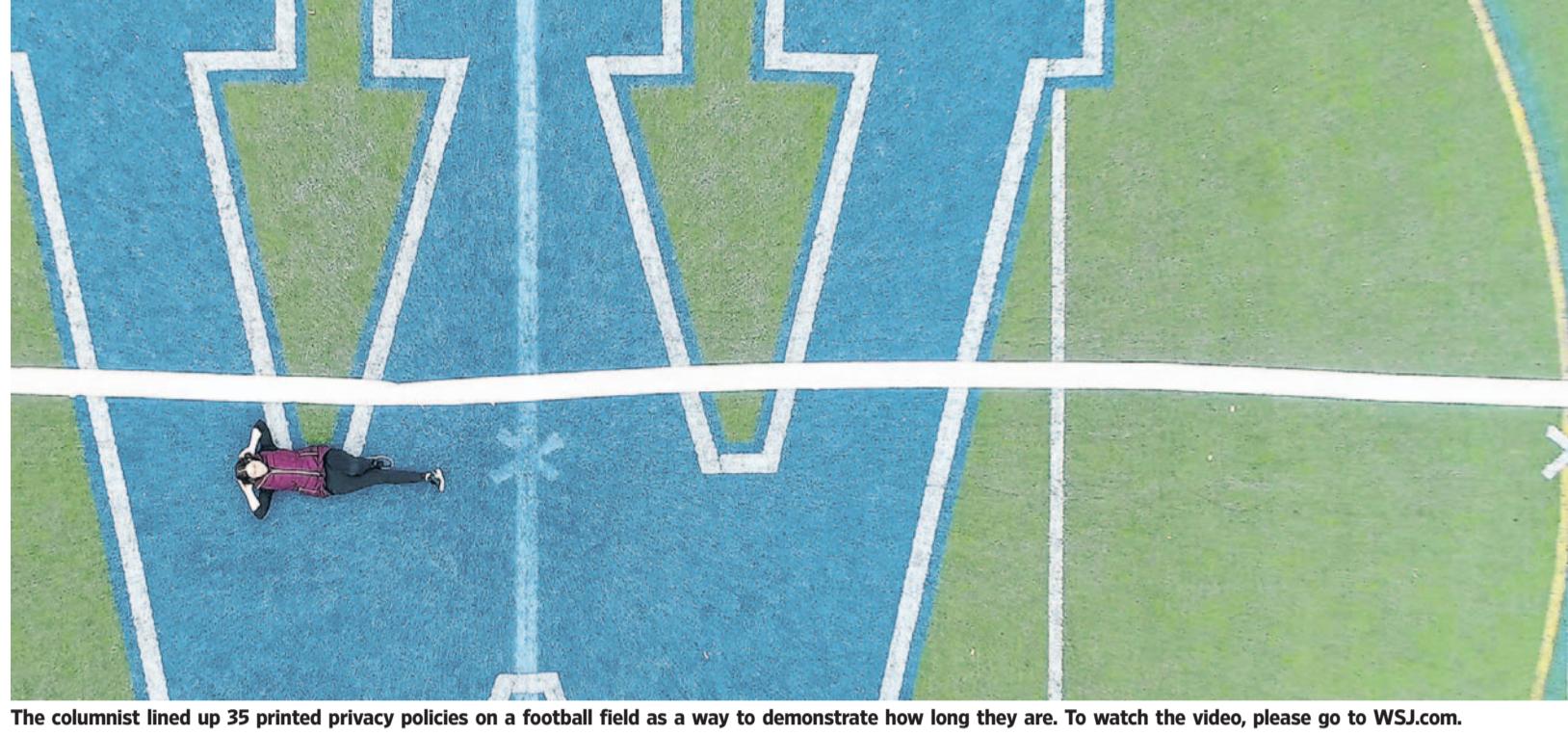
If you've ever read a privacy policy (you probably haven't), it has required a law degree and the focus of an anesthesiologist. But that's changing—well, sort of.

On May 25, the European Union's General Data Protection Regulation (GDPR) goes into effect. As a result, companies are updating their data security and privacy rules—often even outside of Europe. Hence the emails you've been getting from every app, service or operating system you've ever used.

In addition to requiring that companies provide greater data controls and transparency, GDPR requires that those privacy policies be "concise, easily accessible and easy to understand." They also need to be written in "clear and plain language." (Ironically, that's found on page 11 of the 88-page official document.)

I rounded up 35 privacy policies for the services, apps and operating systems I use on a fairly regular basis. The ones revised to meet the GDPR requirements are, in fact, written in a language humans can understand. But they're longer. Much longer.

Take Twitter. The old version was around 3,800 words. It's now around



The columnist lined up 35 printed privacy policies on a football field as a way to demonstrate how long they are. To watch the video, please go to WSJ.com.

8,890. (By comparison, this column is typically almost 1,000 words.)

Why longer? GDPR requires companies to detail more about where your data is going. If a service is ad-supported, your data is going lots o' places. Turns out, explaining these often-shady practices isn't easy.

Are you really going to read policies that stretch the length of a football field when they are printed out? No, but you can't continue to be blind to what these companies are doing and keep clicking "accept," either.

So here's the trade: Read my next 500-or-so words now on how to quickly dissect a privacy policy, and save yourself from reading millions of words in the future. I'll even show you how to get out of some unnecessarily intrusive stuff without quitting the service altogether.

Privacy policies tend to have a formula:

Part 1: Company tells you what data is collected. This tends to be info you give them, info they collect when you use the service and info from third parties. Facebook even collects "mouse movements."

Part 2: Company tells you why it needs that data and which other companies may get to access it. Snapchat, for instance, says it will "provide you with an amazing set of products and services that we relentlessly improve."

(Apparently, GDPR doesn't require humility.)

Part 3: Company tells you what controls—if any—are in place to limit abuse of the data. As LinkedIn helpfully reminds us, "we offer you choices regarding personalized ads, but you cannot opt-out of seeing other ads."

It has become so boilerplate that robots can read it for you. A tool called Polisis,

from data scientists at Switzerland's Federal Institute of Technology and others, uses machine learning to read the policy and organize what it says into a graphic flow chart, all in under a minute. Hover over different areas to see the original text from the policy in context. I urge you to try it, at least for the big ones like Facebook and Google.

You should also open the policies themselves and skim the headlines. Many of the revised policies have bold summaries—some even have videos. Welcome to 2010!

The stuff you'll really want to know is hiding in the crowds of sentences and is just a Ctrl + F away from possibly freaking you out. Experts suggest searching the mass of text for the following keywords:

Third parties. How is your data shared with outside developers and marketers? What data is acquired

by third parties? About 900 words in, Facebook reveals that it receives "information about your online and offline actions and purchases from third-party data providers."

"Retain" or "store." How long is your data retained or stored by the company, and why? Turns out Google keeps most of your stuff for a very long time. But don't worry, there's a cheery video explaining how and why—and that section also tells you how to delete a lot of it.

Children. Most policies confirm that 13 is the age when children can set up their own accounts, but some policies, often from games, make exceptions and give parents more controls.

Delete. Can you delete your data and/or take it with you? GDPR's "the right to be forgotten" regulation requires this to be an option to those in the EU.

Do yourself a favor and

search "settings" or "opt-out."

I was quickly able to activate a bunch of new advertising controls LinkedIn has put in place. A number of apps that use Google's advertising platform, including Sonos and Runkeeper, provide links to opt out of the search giant's massive web-tracking program. Facebook and Instagram vaguely refer to their settings, but don't tell you how to locate specific controls. It's like simply directing someone to a cockpit to fly a plane.

The real utility of these policies should be to allow us to pull the levers on the data we do or don't want to share. As we await more and better controls, here's the TL;DR (too long; didn't read) version: Read the headlines and search the keywords.

Come to think of it, that's a pretty good way to read this column. Ah, crap.

Uber's Chief Product Officer Exits

By GREG BENINGER

Uber Technologies Inc.'s chief product officer, Jeff Holden, said he is leaving the company after a four-year stint that included the development of the company's carpool service and oversight of its flying-taxi initiative.

Mr. Holden told colleagues his last day at the San Francisco ride-hailing firm was Thursday, a spokesman confirmed. Uber didn't say if Mr. Holden had a new job lined up.

Uber's former chief executive, Travis Kalanick, hired Mr. Holden four years ago from Groupon Inc. where he also

was product chief. Mr. Holden also spent about nine years at Amazon.com Inc., where he was known for helping to lead the development of the Amazon Prime membership program.

At Uber, Mr. Holden oversaw the creation of UberPool, which lets people hail a ride with others going in roughly the same direction.

His departure follows that of David Richter, the global head of business and corporate development, earlier this month. Of 16 executives running the company as a committee last year immediately after the departure of Mr. Ka-

lanick in June, seven have since left including the vice president of product and chief legal officer.

More recently, Mr. Holden ceded his work on the core ride-hailing app and focused his time on Uber's plan to dispatch a fleet of electric air taxis made by other companies.

Just last week, Mr. Holden led a keynote speech

onstage at Uber's two-day event in Los Angeles promoting the planned flying-taxi service.

Oversight of the Elevate flying-taxi project will fall to Eric Allison, Uber said. Mr. Allison was recruited from Zee Aero,



The Xbox device will cost \$100 when it goes on sale later this year.

Disabled Videogamers Get a New Controller

By SARAH E. NEEDLEMAN

Microsoft Corp. is making its first videogame controller designed for people with disabilities, the latest in a growing number of industry efforts to accommodate players who face challenges seeing, hearing and directing the on-screen action.

The tech giant Thursday unveiled the Xbox Adaptive Controller for Xbox One consoles and Windows 10 computers. It will cost \$100 when it goes on sale later this year, about \$40 more than the standard model.

A mass-produced piece of gaming hardware is long overdue, advocates say, and could help people who rely on more expensive, customized gear.

More than 33 million people in North America play videogames with some kind of disability, ranging from color-blindness to missing limbs, according to AbleGamers, a nonprofit that pushes for more accessibility in the videogame industry.

"Social media has made a huge impact on being able to spread awareness of our mission and to gain support," said Craig Kaufman, program director at AbleGamers, which worked with Microsoft on developing its specialized controller.

Even so, accommodations for disabled gamers still aren't yet the norm, according to Ian Hamilton, an independent consultant who specializes in helping developers make games more inclusive. For such folks, "buying games can often be a lottery," he said.

In recent years, game companies increasingly have added accessibility features, such as letting players remap buttons on controllers to suit their needs. In some games, it is possible for visually impaired players to alter the colors of characters, or for those who can't hear on-screen dialogue to turn on subtitles.

Emilia Schatz, lead game designer at Sony Corp.'s Naughty Dog studio, said that when she was making the 2016 cinematic adventure game "Uncharted 4," she received emails and tweets from disabled gamers asking for specific features.

Her team ended up adding more than two dozen, including small changes such as letting players fire weapons by holding a button rather than having to press it repeatedly—a boon for novice gamers as well as people who have trouble rapidly tapping buttons.

"It's a learning process," said Ms. Schatz.

The increased focus on inclusiveness comes at a time when videogames have never been more popular. People are increasingly flocking to online multiplayer games that let them socialize as if hanging out at the mall—even though they are playing at home.

Charley Gentry, a 29-year-old gamer who was born without arms or legs, plays games using just his chin to press buttons and move analog sticks. He has paid as much as \$300 for a modified controller from small businesses such as Evil Controllers, located in his hometown of Tempe, Ariz.

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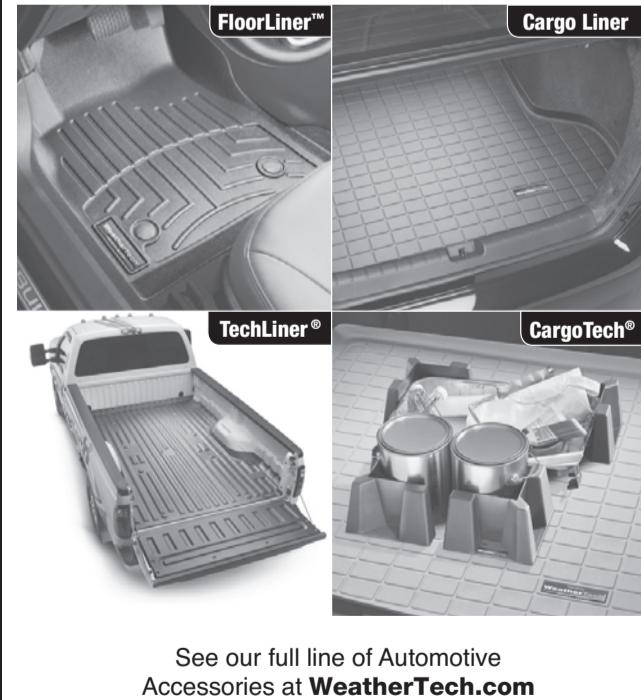
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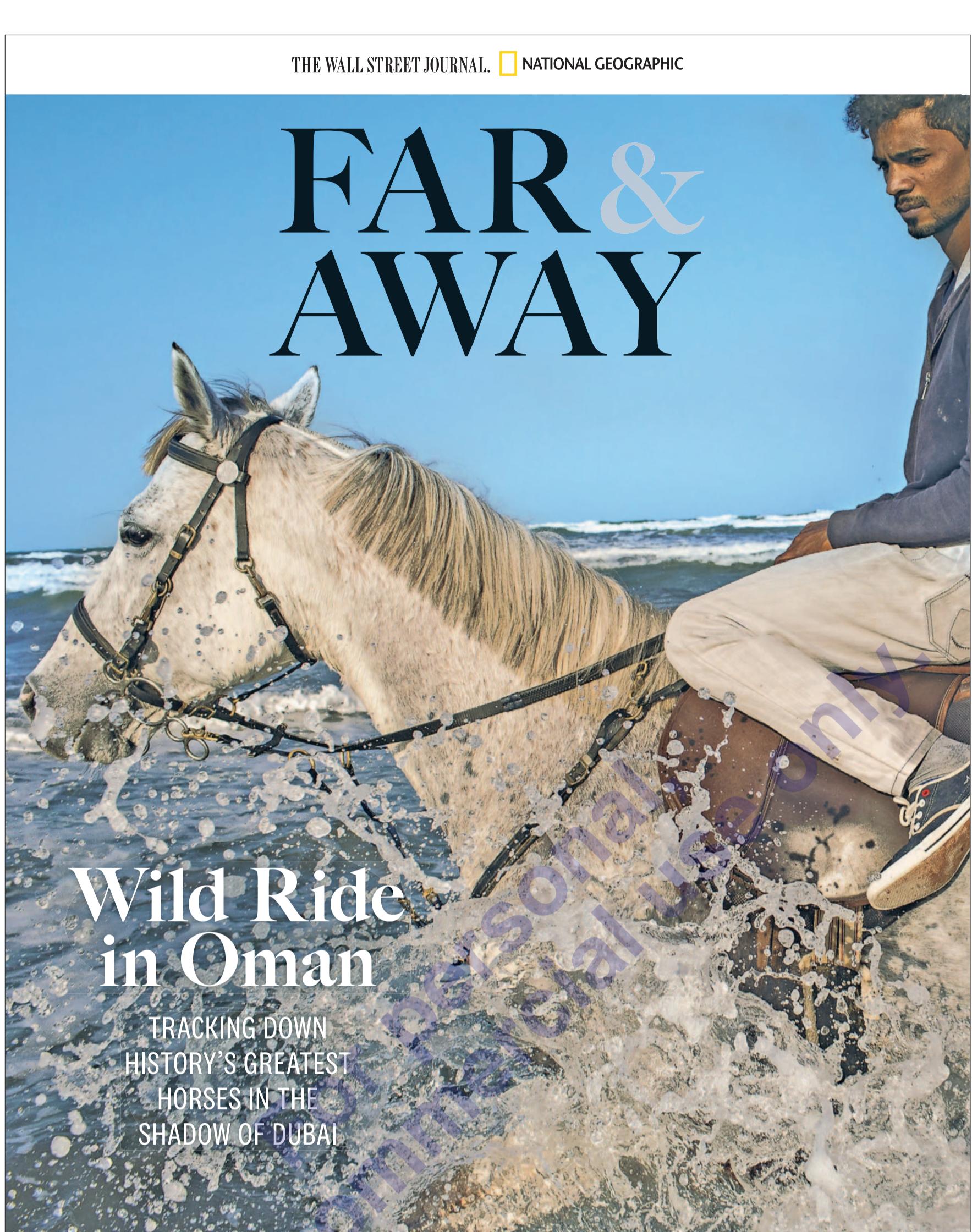
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BUSINESS NEWS

Volvo Skirts China's Battery Rules

Parent Geely gets permission for use of South Korean battery technology in vehicles

BY TREFOR MOSS

SHANGHAI—Chinese-owned Volvo Car Group is being allowed to use high-end South Korean battery technology in vehicles it builds in China, even as Beijing strengthens other auto makers into using Chinese batteries.

To build up its battery industry, China requires auto makers to use batteries from one of its approved suppliers if they want to be cleared to mass-produce electric cars and plug-in hybrids and to qualify for subsidies. These suppliers are all Chinese, so such global leaders as South Korea's LG Chem Ltd. and Japan's Panasonic Corp. are excluded.

Volvo's China-made plug-in hybrids, though, are powered by essentially the same LG Chem batteries the car maker uses outside China, according to people familiar with the situation. The main difference: They are made in China under license by Zhejiang Hengyuan, another unit of Volvo's parent company, Zhejiang Geely Holding Group Co.

A Geely spokesman confirmed that it struck a deal late last year to license LG battery technology, and that LG Chem has helped Hengyuan set up a production line. The batteries will also be used in cars made by another Geely brand, Lynk & Co., the spokesman said.



Beijing has told companies to use Chinese batteries in vehicles made in the country. Volvo struck a deal with South Korea's LG Chem.

"This isn't the use of a loophole or a back channel," he said, adding that other companies "with the proper foresight could realize and create the same deal if required." LG Chem declined to comment, citing client confidentiality.

The Ministry of Industry and Information Technology, which regulates China's auto industry, didn't respond to questions. In February, it approved Volvo's new XC60 sport-utility vehicle—which uses the Hengyuan battery—for production and EV subsidies.

Foreign companies have long complained that Beijing

gives unfair advantages to Chinese companies, especially in strategic sectors it seeks to dominate, such as electric vehicles. In a March 22 report, U.S. Trade Representative Robert Lighthizer said China's EV rules unfairly force foreign companies to share technology with Chinese partners.

Foreign auto makers that compete with Volvo are crying foul. The range, power and lifespan of batteries are key factors for buyers of EVs and plug-in hybrids, and being allowed to use LG Chem batteries gives Volvo a significant edge, people at these makers say.

Foreign batteries aren't officially banned in China, but auto executives say that since 2016 they have been warned by government officials that they must use Chinese batteries in their China-built cars, or face repercussions.

Auto executives say seeking a way around the edicts, such as by striking battery licensing deals, would be too risky. "We want to comply, and we have to comply," said one executive with a foreign car maker. "There's no other option."

Lacking the kind of local connections Volvo enjoys through Geely, another exec-

utive said, foreign makers would never dare such an end-around for fear of having production of new vehicles blocked or China operations disrupted. Volvo was able to pull it off, the executive said, thanks to the influence of Geely founder Li Shufu, one of China's most prominent businessmen.

A spokesman for Volvo didn't respond to questions about the LG Chem deal, but confirmed that the Hengyuan batteries are used in its China-built plug-in hybrid cars.

—Chunying Zhang contributed to this article.

BUSINESS WATCH

AMTRUST FINANCIAL

Carl Icahn Objects To Plan to Go Private

Investor Carl Icahn is contesting an attempt by the primary owners of AmTrust Financial Services Inc. to take the company private.

In a letter to AmTrust on Thursday, Mr. Icahn says the Karfunkel and Zyskind families, which control the New York workers' compensation insurer, are "blatantly taking advantage" of minority holders. Mr. Icahn disclosed he owns a 9.38% stake and says the board should push back a shareholder vote on the \$2.7 billion deal. An AmTrust spokeswoman couldn't be reached to comment.

The deal would sell the company to AmTrust Chief Executive Barry Zyskind, the Karfunkel family and Stone Point Capital LLC.

—Michael Rapoport

COMMODITIES

Kazakhstan to Sell Uranium Stake

Kazakhstan plans to sell at least 25% of the world's largest uranium miner this year, the centerpiece of an effort to open up its economy.

The government has hired Wall Street banks, including JP Morgan Chase & Co., to offer shares in state-owned KazAtomProm in London or Hong Kong, the head of the mining firm's holding company, Akhmetzhan Esimov, said. JPMorgan declined to comment on its involvement in the offering.

—Anatoly Kurmanayev

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Face Reading Gets AI Touch

BY MA SI

While checking in to a hotel on a recent trip, Wang Liming realized she was not carrying her identity card.

Wang, 29, who works in a bank, was shocked, because she thought she would have to make the 300-mile journey back to her home in Guiyang, Guizhou province, to get the card.

However, the front desk receptionist at the hotel in Kunming, Yunnan province, told Wang the feared trip would be unnecessary because of facial recognition technology.

Wang merely had to recall her ID card number. Next, she stood in front of a computer fitted with a 3-D camera that scanned her face and produced a digital image. That data was quickly matched online with the database of the public security bureau. In less than 10 seconds the system verified her identity and Wang was able to check in.

The facial recognition system, used in all hotels in Xishan district in Kunming, is part of a broader trend in China. Rapid advances in computer vision technology are enabling banks, airports, hotels and even public toilets to verify people's identities by scanning their faces.

"The images captured by cameras won't be stored on computers," said Zong Zhengyong, a technical staff member in Kunming responsible for maintaining the system. "They are encrypted and are just used for real-time image matching with the public security bureau's database."

SEE "TECHNOLOGY" ON P3



Facial recognition technology is used at gates at Beijing South Railway Station on Feb. 2, 2018.

LIU GUANGGUAN / CHINA NEWS SERVICE



Tourists eye perfumes in a duty-free shop in Sanya, Hainan. The Chinese government plans to build Hainan into a pilot free-trade zone and a free-trade port by 2025. XINHUA

Hainan Holds Great Free Trade Promise

Efforts underline resolve to strengthen globalization and defend multilateralism. **Jing Shuiyu, Li Xiang and Ma Zhiping report**

A grand plan to build Hainan into an international free-trade zone will not only help South China grow but also catalyze economic growth in the Asia-Pacific region and the rest of the world, one of the country's top experts in international trade says.

The move is a concrete step to further facilitate global trade and investment, and concentrated efforts are needed to make this vision a reality, said Wei Jianguo, a former vice-minister of commerce.

The plan heralds a new stage of the reform and opening-up of the Chinese economy because the island boasts the potential to compete with other international ports such as Hong Kong and Singapore, other experts said.

Under the central authorities' plans announced on April 14, the country's tropical resort island would be turned into a pilot international free-trade zone and a free trade port by 2025.

“

It's a Chinese proposal that is applicable to global development.

WEI JIANGUO FORMER VICE-MINISTER OF COMMERCE



The project is expected to result in increased investment and growth in many areas, including agriculture, entertainment, finance, sports and tourism.

The country also intends to experiment with new businesses such as horse racing and sports lotteries on the island, hoping to turn it into a top international tourism destination and consumption center.

The new measures will also support the development of international cruise operations, and will loosen yacht regulation and allow foreign investors to set up show business agencies in Hainan.

Experts said there is much to expect from Hainan because a free-trade port represents the highest level of opening by international standards and would mean that most goods and services are subject to very low or even zero tariffs.

Wei told China Daily, "Not only can the plan provide guidance to promote the development of China's inland provinces and coastal areas, but also offer a model for the development of Southeast Asian regions that are mainly agricultural and port-based economies."

"This endeavor underlines China's resolve to strengthen globalization and safeguard multilateralism."

SEE "HAINAN" ON P2



Picking tea leaves in Ya'an, Sichuan province. PROVIDED TO CHINA DAILY

Marathon Craze Clocks Up Miles

BY SUN XIAOCHEN

As China's marathon boom continues apace, encouraged by the government, the industry's focus is now on providing runners with an improved race-day experience.

Even with a spring chill and intermittent smog in the air, Beijing's dedicated army of runners pack the tracks and trails of Olympic Forest Park on weekends.

"It's been part of my weekend routine," said Hao Liang, a regular runner at the park, where a plastic track of about 6 miles encircles a lake, a legacy of the 2008 Olympics.

"If I don't go running with my fellow club mates on Saturday I feel like the whole weekend has been a waste," said Hao, who has completed 22 marathons and is a cofounder of the Maker Run club.

"It's not just about staying fit, it's more about hanging out with like-minded people to escape from life's pressures. It's addictive."

Hao is typical of the health-conscious Chinese all over the country who have caught the running bug.

The Chinese Athletics Association says nearly 5 million people took part in 1,102 registered running events in the country last year, almost 20 times the 2014 number.

On April 14 at least 40 races across the country started at roughly the same time, indicating that the marathon calendar is becoming increasingly crowded.

Meeting the demand for race spots can be an issue, with online lotteries



Runners get going in the 2017 Beijing Marathon at Tian'anmen Square on Sept. 17. About 30,000 people took part. LI NAN / FOR CHINA DAILY

often used to determine the starting lists.

For the March 25 Wuxi Marathon in Wuxi, Jiangsu province, 91,000 runners had signed up for the 30,000 spots two months before the starting gun.

Shui Tao, director of the association's marathon management office, hopes new races can help soak up the soaring demand.

"I don't think it's time to let up in our effort," Shui said at the launch of the Fairy Coast International Marathon, which will be held in Haikou, Hainan province, on July 1.

"All the events we are overseeing now only cover half of the cities in the country. We still have new territories to explore on the country's running map."

However, the number of people in China taking part in marathons still pales in comparison with participation levels in countries such as the United States.

The 2016 annual report of Running USA said 1,100 marathons were held in the U.S. that year, completed by 507,600 runners. In China last year there were just 173 marathons, completed by 268,900 runners.

The central government's call to expand its mass fitness campaign has simplified the approval procedure for hosting grass-roots sporting events, allowing more diversified races to be organized at regional level, Shui said.

Running's accessibility, affordability and sociability are key to its popularity, experts say.

"No other sport has a lower entry requirement than running," said Shi Chunjian, a former Chinese Athletics Association official and now a race organizing consultant.

"All you need is a pair of running shoes and you can hit the road, regardless of age or gender."

SEE "RUNNING" ON P4

Reading Between the Tea Leaves

A book accompanying a documentary series about the history of Chinese tea and its global cultural significance has just been published. **Li Yingxue** reports

In the middle of 19th century the Scottish botanist and plant hunter Robert Fortune famously stole tea plants and seeds from China and took them to India, from where they traveled to the rest of the world.

The tea Fortune purloined from the Wuyi Mountains in Fujian province used to be known by the trade name Bohea in English, which is a derivation from the Fukienese pronunciation of "Wuyi."

The history of Bohea tea was told in the first season of the documentary *Chinese Tea*, which began airing on Jiangsu TV in August and contains more than 100 interviews with tea

planters, tea makers, tea sellers and tea-culture buffs.

"Every story from tea to taste bud is a story of people and emotions," said Liu Jia, chief director of the 10-episode documentary.

A book of the same name was published at the end of March, adding a wealth of background information to the documentary series.

Liu, who is also the chief editor of the book, said that preparation for it started during the shooting of the documentary.

SEE "DOCUMENTARY" ON P4

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2 | SOCIETY

Hainan: New Zone's Major Challenges

FROM PAGE 1

"It lays a foundation for the country to effectively oppose rising trade protectionism, speed up the flow of global trade and facilitate international investment."

To support Hainan's development, more policies are likely to be carried out in the future, Wei said.

"That may include not only wider opening-up policies but also broader reform measures in fields such as law formulation, investment guideline, financial systems and visa policy."

A detailed official paper said the central authorities would invite foreign firms and multinational companies to set up international and regional headquarters in Hainan.

The free-trade zone will serve as a new window for China to contribute more in solidifying regional economic integration and injecting vitality to the world economy, Wei said.

"It's a Chinese proposal that is applicable to global development. Economies around the world are encouraged to seek enhanced cooperation in developing Hainan. In this way the island can become a new engine to fuel global economic growth."

Xu Hongcai, an economist with the China Center for International Economic Exchanges, said the plans will boost the island's international status and turn it into an economic center that can attract international capital and talent.

More policies and improved institutional systems are needed to make the grand vision a reality, analysts said.

National Business Daily quoted Xia Feng, deputy director of the China Institute for Reform and Development, as saying, "The development of islands like Hainan is more dependent on opening-up policies than inland areas. A slew of comprehensive measures is needed to ensure the free flow of resources such as capital and skills."

Chi Fulin, president of the China Institute for Reform and Development, said Hainan's assets include its large area and abundant local resources that no other existing free-trade zone on the Chinese mainland can compete with.

"Compared with Hong Kong and Singapore, Hainan will utilize its own resources to develop. I think it will have a late-mover advantage with faster development."

Xie Xiangxiang, an associate professor at the School of Tourism of Hainan University, said that turning the entire island into a free-trade zone is a powerful starting point for Hainan to become a leading international tourism and consumption center.

The biggest challenge facing the island is a lack of talent, so the province needs to improve its education and training, Xie said.

News Digest



Glass bridge to creativity

As the May Day holiday approached, people were invited to Shiyuanhu Ecological Tourism Park in Changsha, Hunan province, on April 27, to show off their skills in posing for creative photographs. YANG HUAFENG / CHINA NEWS SERVICE

Regional aircraft flies high

China had delivered 57 MA series regional aircraft to 18 Belt and Road countries by the end of last year, the AVIC International Aero-Development Corp. says. The MA series aircraft have been operating on more than 200 air routes in these countries, and have transported about 11 million passengers, AVIC International said. AVIC International is a subsidiary of China Aviation Industry Corp., which focuses on overseas sales and promotion of China's aviation products.

CHINAWATCH

CHINA DAILY 中国日报

Into the Light, With Loving Care

Those with a disorder that had long been shrouded in mystery, or was even regarded as a social stigma, are now receiving the attention they deserve.

Xing Wen reports

Painting courses provide young people with autism the kind of skills that may give them a chance in the workplace. PHOTOS PROVIDED TO CHINA DAILY

For those in China with autism spectrum disorder and those who take care of them it has been a long and hard road.

It was only in the 1980s, when some of the medical professionals who had received overseas training returned home, that it became easier to identify those with the condition.

Nevertheless, as much as the lot of those with the disorder has improved, exactly how many people have it in China remains unknown.

"The disorder is diagnosed by observing various symptoms rather than through the use of medical instruments," said Jia Meixiang, a doctor at Peking University Sixth Hospital.

"It's hard to tell exactly how many cases there are of autism in the country."

Identifying cases of the disorder and providing the appropriate support and services have been hampered by widespread ignorance, including parents failing to recognize or ignoring possible signs of autism or failing to take appropriate action because they perceive it as a social stigma.

However, thanks to a growing awareness of autism, more and more parents are now willing to confront the issue. In practice this means seeking help from private organizations whose expertise can pave the way for their children to become independent when they grow up.

Fan Meiying's son, 16, was diagnosed with autism spectrum disorder in 2004.

"I initially didn't want to send him to special education because I believed he would overcome his disorder and be able to stay in primary school with children who don't have autism," she said. Fan, 43, quit her job as an accountant to sit in the back of her son's classroom.



Society should give them (children with autism) more opportunities to be understood.

LI MU
PROFESSOR AT TSINGHUA UNIVERSITY
AND FATHER OF A CHILD WITH AUTISM

It is common for families to lose a breadwinner as one of the parents gives up working to care for children with autism.

Fan said her son started throwing explosive tantrums when he reached puberty, so the family sent him to a special-needs school with courses for children with autism who are younger than age 16 in 2014.

"He's too old to stay at the school now," Fan said.

"I hope that one day he can earn a living."

Her concerns are similar to those of many such parents.

Yang Zhonghao's parents sent him to a calligraphy-training agency in 2007 to help the 23-year-old alleviate the anxiety that comes with his disorder.

He became less irritable and started winning regional and national prizes for his works.

"He often had epileptic seizures after age 18," said his mother, Qi Zhiying.

"He's an adult, but it's difficult for him to be independent, to have a job and to adjust to new environments."

She worries he may be injured without his family's protection.

She believes his ideal job would be to run a calligraphy studio in his home in Ordos, in the Inner Mongolia autonomous region.

Groups such as one called Autistic or Autistic Art, in the 798 art district

of Beijing are also working to assist the children and alleviate parents' concerns.

Brightly colored paintings by artistically talented children and adults with autism from around the country line the walls of the lobby. Bags, bottles and phone cases printed with the paintings line a shelf.

"We help them sell the paintings and make creative products using their works," one of the studio's cofounders, Zhou Jing, said.

"A big part of the money goes directly to them."

The studio also offers free painting, music and handicraft lessons to people with autism.

It is linked to the Beijing Association of Rehabilitation for Children with Autism, a group comprised of experts from Peking University Sixth Hospital and parents of children with autism.

Zhou joined after her son, Duo Duo, was diagnosed in 1998.

She met Li Mu, a Tsinghua University Academy of Arts and Design professor and the father of a child with autism, through the group.

Li's son would scribble with a brush whenever his father painted on a canvas.

He realized children with autism could communicate through art in ways they could not otherwise.

They are sometimes nonverbal and live in their own worlds. But they can paint whatever they want without even considering the benefits, he realized.

"This may provide insight into art's essence," Li said.

"Society should give them more opportunities to be understood."

Though sheltered employment is a good option for families who want their children to be protected in workplaces, some parents hope their children can function in ordinary workplaces and explore their potential to engage the outside world.

China's government and NGOs practice supported employment, which gives people with disabilities employment opportunities to work with peers who do not have disabilities through vocational rehabilitation and job coaching.

The group Rong Ai Rong Le has been developing supported employment since 2013.

It first assesses candidates' emotional stability and communication ability to see if they are suitable, said the project manager, Qu Zhuo.

"We're striving to give these vulnerable groups a fair chance in the workplace," Qu said.



Young people with autism learn the djembe, a drum from West Africa.

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Most companies in traditional sectors such as coal and steel grew strongly on the back of the country's economic restructuring and improved business environment.

My life as a hermit and translator

Without a smartphone and no connection to social media, a 43-year-old American is living a hermit-like life on a mountain in Shandong province, where he is translating important works of Chinese philosophy into English. His Chinese name is Dai Ling, *ling* meaning mountain, a reflection of his hermit-like life. For the past 10 years Dai, who lives in a small bungalow on the mountain, has translated *Tao Te Ching*, a classic text written by Laozi, one of China's most influential philosophers, who lived about 2,500 years ago.

Masters of Mandarin

The 15th Chinese Bridge competition, a contest for foreign students on their Chinese proficiency, concluded at the University of Latvia with a record 68 contestants April 24. The competition was divided into three groups — adult, secondary school and elementary school. The secondary school group attracted the most, with 32 contestants, followed by the elementary group with 19 and the adult group with 17.

Museum puts marriage in spotlight

The Shanghai Marital Culture Museum opened on April 23, offering a glimpse into the traditions and

changing culture of marriage customs since the Qing Dynasty (1644-1911).

The museum features three major sections: registration, customs and traditions. Through exhibits, including marriage certificates, wedding photos and dowries, visitors can stroll down memory lane to learn about the city's marital history.

E-book sales to rocket

The value of China's e-book market is expected to reach 33.5 billion yuan (\$5.34 billion) by 2020, a report in People's Daily on April 17 said. The market will see average annual growth of 29.8% in the next three years, said the report, jointly issued by the Chinese online book retailer Dangdang.com and the big data analysis service provider Analysys. Last year the sales of ebooks grew 29.2% to reach 15.3 billion yuan, and online sales of printed books rose 34.4% year-on-year to 30.1 billion yuan, it said.

Green light on trade iron-ore futures

China is now allowing foreign investors to trade domestic iron-ore futures, starting from May 4. Iron ore is the second commodity derivative available to overseas investors after the debut of yuan-denominated crude oil futures in Shanghai on March 26. The Dalian Commodity Exchange is the only exchange offering iron-ore future contracts in China. The futures traded on the exchange reached 17 trillion yuan (\$2.7 trillion) last year.

CHINA DAILY

CHINA DAILY

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CHINAWATCH

BUSINESS | 3

Technology: On Digital Frontier, the Look Has It

FROM PAGE 1

There are concerns about protecting privacy and personal data, but companies are eagerly embracing the technology. The technology is making rapid inroads into every conceivable sector, encouraging both Chinese technology heavyweights and startups alike to work harder toward developing more innovative applications.

For example, university faculties are using face scanners to see whether students in classrooms appear bored.

Mobile app providers depend on software that allows users to beautify or transform their faces for fun.

A tissue roll dispenser at a public toilet in Beijing uses visual recognition technology to keep people from stealing the paper, media reports said.

Large-scale commercial applications of the facial recognition technology are likely to follow.

There are about 15,000 patents relating to computer vision worldwide. China accounts for 55% of them. The United States is in second spot with about 17%, said a report late last year by two venture capital firms, Sequoia Capital of the United States and ZhenFund of China.

He Qian, an artificial intelligence expert at the Chinese Academy of Information and Communications Technology, said that though the technology is still in its infancy, it has been used in many sectors such as security, finance and health care.

\$812**million**

Forecast market in China in 2021 for facial recognition products

"It can significantly boost efficiency, simplify business procedures and bring greater convenience to consumers. It will have bigger potential in the future, but efforts are needed to ensure information security."

The Qianzhan Research Institute forecasts that the market for facial recognition products in China will be worth 5.1 billion yuan (\$812 million) in 2021, compared with more than 1.7 billion yuan in 2016.

The technology is expected to offer new impetus to a wide range of industries as it is a key part of China's broader push to cultivate a 1 trillion yuan artificial intelligence industry by 2030, which is supposed to stimulate as much as 10 trillion yuan in related business.

Without doubt, the facial recognition market in China is taking off. It has already nurtured four unicorns, or startups with valuations above \$1 billion: SenseTime Co., Yitu Technology, Megvii Technology Inc., and Cloudwalk Technology.

Armed with graduates from top American universities and former employees of foreign technology titans such as Google Inc. and Microsoft Corp., the four startups are scrambling to deploy their technology in commercial applications through in-house research and development as well as partnerships with established players.

Security and finance are two of the most important sectors the four firms are tapping into, because market demand is huge, and clients in the two sectors are willing to pay a lot of money for good technology as the data involved is huge, experts and executives said.

SenseTime is using facial recognition and crowd analysis to help public security bureaus to analyze and understand the mountain of incoming video evidence, to track suspected criminals and spot suspicious behavior.

The Beijing company, valued at about \$3 billion, will also deploy its technology at a new airport in Beijing, due to open next year, to simplify security checks.



A customer uses a mobile app to select cosmetics for trial at a Tmall pop-up store in a shopping mall in Shanghai. New approaches to retailing are helping cosmetics companies as they accelerate the pace of their marketing efforts in China. PROVIDED TO CHINA DAILY

Cosmetics Revolution Gives Us the Cyberface

For some of the top-notch beauty brands, China is playing a vital part in reshaping the perception of the role of online sales.

Once fearful that the internet's mass access could damage the exclusivity of brands, fashion houses are now racing to embrace digital, thereby pampering demanding customers from the world's largest consumer market.

The switch to digital makes sense, with online sales expected to drive growth in the luxury goods market, accounting for 25% of the market by 2025 from an estimated 9% last year, a 2017 report by Bain & Co. said.

Such projections serve as a warning to high-end cosmetic firms that have long relied on partners such as department stores — and their own boutiques — to sell products.

Lancome, a premium brand of the French cosmetics firm L'Oréal Group, is riding on a trend in which the lines between offline and online sales are being increasingly blurred in China.

L'Oréal will team up with Tmall to install 50 augmented reality-powered "Magic Mirrors" in its physical stores in China, which allows users to virtually try on new hairstyles, lipsticks, eye shadow and blush.

E-commerce is disrupting the beauty sector in China and companies are riding the wave of the change, said Hagen Wulferth, chief digital officer of L'Oréal China.

"Digital is at the heart of everything in China. This is evident from the fact that total e-commerce has surpassed

L'Oréal and others team up with Tmall as online and offline sales begin to merge.

He Wei reports

that of the U.S. and Western Europe combined ... creating a first-in-class new retail revolution."

Jack Ma, founder of the Alibaba Group Holding Ltd. coined the term new retail in 2016. It refers to the integration of online and offline shopping by utilizing a cohort of technologies to analyze and predict customers' preferences and in turn improve service.

Jessie Qian, head of consumer and retail at KPMG China, said, "New retail allows the use of data analytics to understand consumer preferences in order to create an optimal and consistent shopping experience across different channels — physical stores, company websites and mobile commerce.

"This enables consumer retail companies to be extremely customer-centric ... (and) meanwhile, build up a demand-driven supply chain system and optimize overall operation."

Since 2015 Tmall, the Alibaba-owned business-to-customer site, has delivered a suite of new retail solutions to help beauty brands pinpoint, attract and retain customers.

In an annual ceremony awarding new retail practices for beauty products in March, Tmall featured technologies such as Cloud Shelf, a service that enables customers to pre-order an item online, go to a physical store for free trial, pick the product up by scanning a QR code generated through the online order, and pay using a mobile wallet.

"We've upgraded our bonus system to beauty assistants by combining online and offline sales data," said Ma Xiaoyu, general manager for Lancome China.

"Such a dichotomy is becoming obsolete as data generated online can effectively drive offline sales."

A total of 10 beauty brands, from Estee Lauder to SK-II, will join forces

with the e-commerce giant, aiming to cross 1 billion yuan (\$159 million) of annual sales on the platform.

To break that threshold, Tmall will also launch a number of initiatives that include a new "try-before-you-buy" function, where users pay a 10% deposit to test a product with the promise of a simpler and faster refund process, said Jing Jie, general manager of Tmall.

As part of the push to convert online traffic into tangible sales, the U.S. luxury beauty group Estee Lauder is placing more bets on co-creating digital content with digital platforms, which are likely to stimulate impulse purchases, especially among those born in the 1990s.

"We've designed some promotional campaigns together with Tmall through which we get to analyze customers' preferences and the conversion rate of the purchase," said Gary Chu, online general manager at Estee Lauder China.

The U.S. consumer goods giant Procter & Gamble has reaped early gains by utilizing data analytics offered by Alibaba when it launched a new fragrance product in collaboration with a Chinese hotpot chain.

"Unlike traditional promotion practices such as celebrity endorsement, the way we choose to roll out the product is based on a thorough reading into customer insights through a campaign we carried out online," said Xu Min, president for e-commerce at P&G, who noted this one-time online-to-offline campaign has helped gain 100,000 new customers.

New retail allows the use of data analytics to understand consumer preferences."

JESSIE QIAN
HEAD OF CONSUMER AND RETAIL AT KPMG CHINA

Life in the Pink for Men Who Apply Lipstick

BY FAN FEIFEI

Chinese born between 1995 and 1999 spend more on beauty and cosmetics products than other age groups, and the consumption of masks, skin care products and face cleansers for men is expected to usher in huge growth in the sector, a report says.

The report, issued by the Chinese online discount retailer Vipshop Holdings Ltd. and the market research firm iResearch, said sales of beauty and makeup products for men born between 1995 and 1999 rose 60% last year compared with 2015, and cream cosmetics, lipsticks and eyebrow pencils are favored by such men.

"Of the men in this age group surveyed, 18.8% said they use cream cosmetics, 18.6% use lipstick, 8.8% use eyebrow pencils and 8.5% use eyeliner," said Wu Yiran, general manager of iResearch in the South China region.

Among men and women born between 1995 and 1999, 44.8% of those interviewed said they use lipstick every day, 11.8% higher than other age groups, and nearly half said they carry lipstick with them. More than 20% said they own more than five lipsticks.

Luxury products such as watches, bags and luggage are also popular



A host in Shanghai tries lipstick products in his cosmetics show on a live-streaming platform.

NIU JING / FOR CHINA DAILY

among these men, and 32.7% of those interviewed showed an interest in new products, the report said.

Moreover, they said they are willing to try products that gain popularity online and keep themselves up to date, and their pursuit of brands is personalized and diverse, Wu said.

More than 60% of them browse e-commerce platforms at least once a day, and about 10% of them place an order every day, he said.

Those born between 1995 and 1999 grew up during China's fastest period of economic growth and the information age. Many were born in cities and have grown up exposed to television, the internet and social networking platforms. They are now becoming a main consumer group.

Huang Hongying, vice-president of Vipshop, said, "We will focus on youths and those born between 1995 and 1999, stepping up efforts to promote sales of brands they like by observing changes in shopping habits and information from major consumer groups."

HUANG HONGYING
VICE-PRESIDENT OF VIPSHOP



We will focus on youths and those born between 1995 and 1999, stepping up efforts to promote sales of brands they like by observing changes in shopping habits and information from major consumer groups."

Vipshop offers high quality and popular branded products to consumers throughout China with significant discounts on retail prices. Since it was founded in August 2008 it has rapidly built a sizable, growing base of customers and brand partners.

PAID ADVERTISEMENT

4 | CULTURE

CHINAWATCH

CHINA DAILY 

A Tang Dynasty incense burner.

PROVIDED BY FAMEN TEMPLE MUSEUM

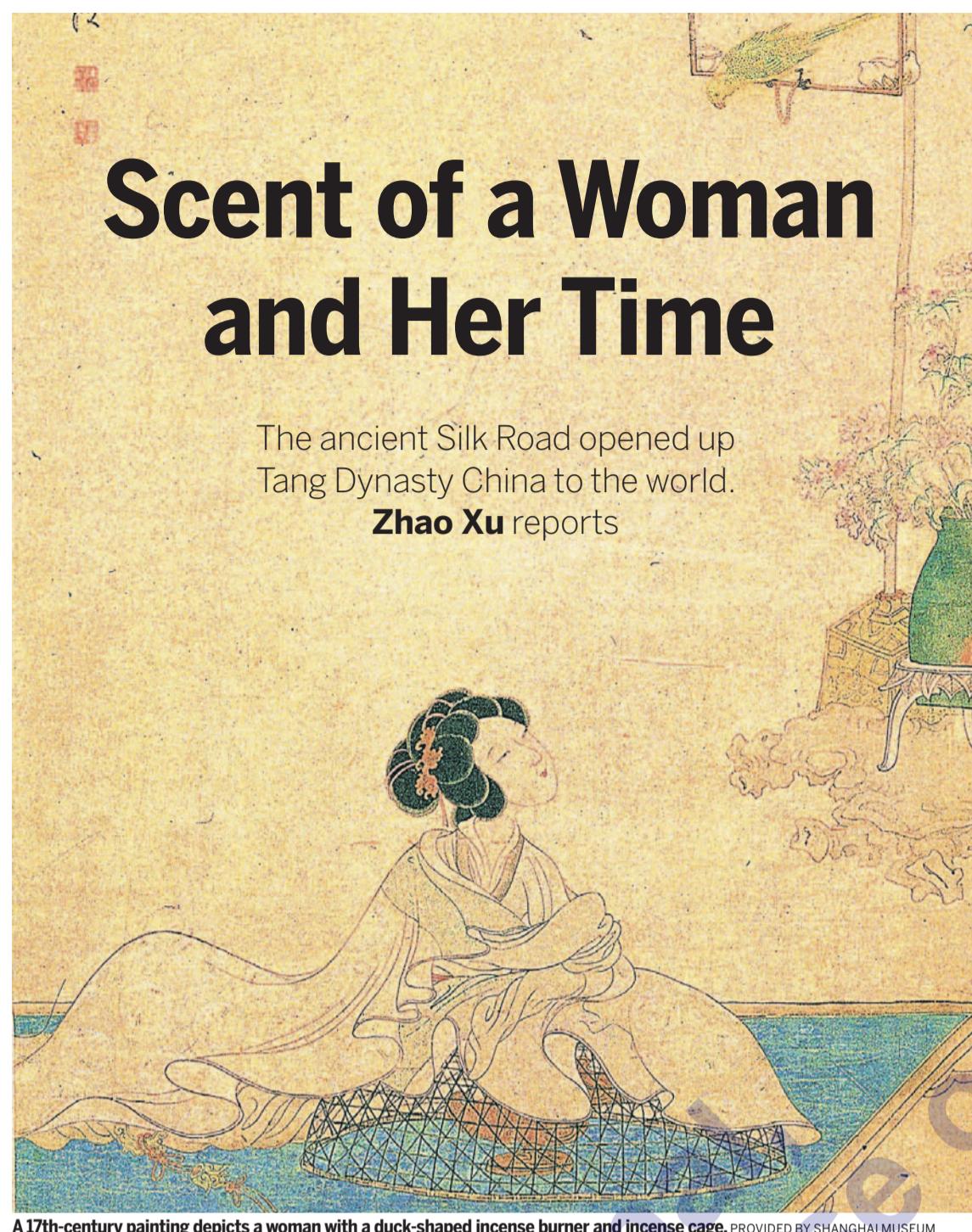
Imagine an aristocratic lady during the Tang Dynasty (618-907) more than a millennium ago. Exuberantly beautiful, a lush pile of hair spirals from the crown of her head like a pond snail. Dressed in a low-cut, bust-revealing gown with silken luster that accentuates her opulent beauty, she is glamorous and sensuous, and no doubt fully aware of her own allure.

She seeks to further enhance that charm, partly by immersing herself in an aromatic scent that, despite its origin in faraway lands, has become *le parfum de l'époque*. Potent and hypnotizing, the aroma not only adds an edge of seduction to the indolence of this well-pampered lady, but also offers a metaphor for an era in Chinese history known for its prowess in nation-building and diplomacy.

The Famen Temple Museum, about 70 miles from present-day Xi'an — the temple's name means "a passage to the land of Buddhism" — was once the place of worship for Tang rulers. Its director, Jiang Jie, said, "For those in the know, this typical image of a Tang court lady is in itself a reflection of the exchanges between China and the land lying to its west, through the extending route known today as the Silk Road."

"The scent resulted from the burning of spices that came all the way from places including the Eurasian steppes, the Indian subcontinent and the shore of the Arabian Sea. The practice, apart from feeding a romantic need, also had a practical side: the strong smell acted to repel insects, mosquitoes for example, and to make sure that the ladies, while proudly exposing their glacial skin on a hot summer's day, did not have to lose their composure because of a gnawing bite."

"This is very important, because climate scientists now believe that the Tang Dynasty, especially the first



A 17th-century painting depicts a woman with a duck-shaped incense burner and incense cage. PROVIDED BY SHANGHAI MUSEUM

half of it between the early seventh and mid-ninth centuries, lived through a general rise in temperatures that, in retrospect, aided the society's propensity for flimsy clothing and fragrant scents."

Even the fashion sense of the time, with a level of daring unrepeatable by any subsequent Chinese dynasty, was

formed partly due to this influence from the west, Jiang said.

"It seems that the hot wind blowing from the Gobi Desert and beyond reached and tickled at the heart of the Chinese empire."

Stretching over vast areas of Eurasia in today's Mongolia and northwest China, the seemingly

boundless Gobi Desert presided over the ancient Silk Road that cut through it. The road itself was first opened by a man named Zhang Qian, who, acting as an envoy for Emperor Wudi (156-87 B.C.) of the Han Dynasty, embarked on his westward journey from the city of Chang'an, the Han capital, in 139 B.C. When he returned 13 years

MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24713.98 ▼54.95, or 0.22%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.30 20.11
P/E estimate * 16.41 17.72
Dividend yield 2.17 2.44
All-time high 26616.71, 01/26/18

Current divisor 0.14523396877348



Bars measure the point change from session's open

Feb. Mar. Apr. May

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2720.13 ▼2.33, or 0.09%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.28 23.83
P/E estimate * 17.05 18.45
Dividend yield 1.91 1.97
All-time high 2872.87, 01/26/18



Nasdaq Composite Index

7382.47 ▼15.82, or 0.21%
High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.99 26.09
P/E estimate * 20.25 21.02
Dividend yield 1.01 1.10
All-time high: 7588.32, 03/12/18



Major U.S. Stock-Market Indexes

	Latest					52-Week					% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	YTD	3-yr. ann.		
Dow Jones												
Industrial Average	24839.49	24639.40	24713.98	-54.95	-0.22	26616.71	20663.02	19.6	-0.02	10.6		
Transportation Avg	10822.49	10704.43	10742.96	40.42	0.38	11373.38	8818.58	21.8	1.2	7.4		
Utility Average	675.67	667.20	668.56	-5.49	-0.81	774.47	647.90	-4.6	-7.6	4.5		
Total Stock Market	28391.70	28186.38	28277.91	-2.19	-0.01	29630.47	24481.51	15.5	2.2	8.4		
Barron's 400	744.17	738.26	742.73	4.23	0.57	757.37	627.44	18.4	4.5	8.9		

Nasdaq Stock Market

Nasdaq Composite	7425.39	7350.46	7382.47	-15.82	-0.21	7588.32	6055.13	21.9	6.9	13.5		
Nasdaq 100	6952.98	6869.39	6901.63	-28.33	-0.41	7131.12	5596.96	22.7	7.9	15.4		

S&P

500 Index	2731.96	2711.36	2720.13	-2.33	-0.09	2872.87	2365.72	15.0	1.7	8.6		
MidCap 400	1954.87	1942.61	1948.28	4.47	0.23	1995.23	1691.67	14.9	2.5	8.4		
SmallCap 600	1002.89	993.74	1001.02	6.93	0.70	1001.02	817.25	21.4	6.9	11.9		

Other Indexes

Russell 2000	1627.32	1615.46	1625.29	8.92	0.55	1625.29	1356.90	19.4	5.8	9.3		
NYSE Composite	12787.12	12714.11	12747.83	4.03	0.03	13637.02	11434.06	11.5	-0.5	4.3		
Value Line	569.14	565.59	567.60	1.96	0.35	589.69	503.24	11.3	0.9	3.3		
NYSE Arca Biotech	4694.63	4643.97	4676.31	-19.37	-0.41	4939.86	3507.64	28.5	10.8	5.0		
NYSE Arca Pharma	533.01	529.48	531.83	-0.20	-0.04	593.12	514.66	2.8	-2.4	-3.3		
KBW Bank	111.23	109.90	110.98	0.05	0.05	116.52	88.87	24.4	4.0	13.9		
PHLX® Gold/Silver	82.02	81.49	81.84	-0.10	-0.12	93.26	76.42	-2.9	-4.0	2.9		
PHLX® Oil Service	171.81	167.56	169.23	2.51	0.51	169.23	117.79	14.0	13.2	-8.3		
PHLX® Semiconductor	1376.24	1355.27	1364.87	-5.23	-0.38	1445.90	1020.51	30.1	8.9	24.4		
Cboe Volatility	13.86	12.65	13.43	0.01	0.07	37.32	9.14	-8.4	21.6	2.8		

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Cnsmr Staples Sel Sector	XLP	5,553.8	49.85	...	unch.	49.87	49.84
SPDR S&P 500	SPY	5,258.1	271.73	-0.28	-0.10	272.91	271.68
Ambev ADR	ABEV	3,436.7	5.66	...	unch.	5.66	5.65
Matsl Select Sector SPDR	XLB	3,020.0	59.78	...	unch.	59.78	59.74
Finl Select Sector SPDR	XLF	2,840.4	28.18	...	unch.	28.22	28.17
21st Century Fox Cl A	FOXA	2,702.4	37.77	...	unch.	37.82	37.77
Applied Materials	AMAT	2,640.8	51.42	-2.54	-4.71	54.50	50.76
Zynga	ZNGA	2,592.3	4.08	...	unch.	4.09	4.04

Percentage gainers...

Cerner	CERN	56.1	65.65	5.03	8.30	65.68	60.48
Liberty Media SiriusXM A	LSXMA	208.3	46.21	0.98	2.16	46.21	45.23
CBS Cl B	CBS	128.4	52.40	0.79	1.53	52.50	51.60
Marvell Tech Group	MRVL	147.2	21.95	0.32	1.46	21.95	21.63
Okta Cl A	OKTA	169.2	49.93	0.70	1.42	49.93	48.9

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.							
May	3,0705	3,0770	3,0610	3,0770	3,0185	3,125		
July	3,0780	3,1010	3,0690	3,0890	3,0185	133,604		
Gold (CMX)	-100 troy oz.; \$ per troy oz.							
May	1291.30	1291.30	1290.70	1288.20	-2.00	105		
June	1290.20	1294.00	1284.00	1289.40	-2.10	233,007		
Aug	1295.90	1299.60	1299.00	1295.20	-2.20	187,433		
Oct	1302.90	1302.90	1296.70	1301.50	-2.20	9,975		
Dec	1309.00	1312.00	1308.00	1308.00	-2.20	64,985		
Feb'19	1316.10	1316.10	1310.30	1314.40	-2.30	4,039		
Palladium (NYM)	-50 troy oz.; \$ per troy oz.							
June	981.90	984.10	970.00	977.50	-5.00	13,986		
Sept	979.80	980.20	968.70	974.40	-5.00	9,754		
Platinum (NYM)	-50 troy oz.; \$ per troy oz.							
July	892.20	895.50	883.60	892.10	2.30	75,338		
Oct	897.80	898.90	888.70	897.00	2.30	6,559		
Silver (CMX)	-5,000 troy oz.; \$ per troy oz.							
May	16,315	16,390	16,315	16,413	0.116	94		
July	16,385	16,505	16,335	16,481	0.110	138,224		
Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.							
June	71.54	72.30	71.09	71.49	... 168,152			
July	71.60	72.37	71.22	71.57	0.01	500,055		
Aug	71.38	72.12	71.02	71.33	-0.02	217,975		
Sept	70.98	71.64	70.59	70.86	-0.07	243,040		
Oct	70.47	71.09	70.09	70.35	-0.10	163,933		
Dec	69.57	70.18	69.15	69.40	-0.16	319,814		
NY Harbor ULSD (NYM)	-42,000 gal.; \$ per gal.							
June	2,2696	2,3069	2,2654	2,2808	0.016	79,629		
July	2,2629	2,2987	2,2594	2,2746	0.016	133,848		
Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.							
June	2,2507	2,2773	2,2407	2,2431	-0.068	93,300		
July	2,2453	2,2737	2,2376	2,2394	-0.061	144,637		
Natural Gas (NYM)	-10,000 MMBtu's per MMBtu.							
June	2,818	2,862	2,780	2,859	0.044	124,254		
July	2,839	2,890	2,804	2,886	0.049	273,730		
Sept	2,832	2,880	2,804	2,877	0.045	148,832		
Oct	2,837	2,884	2,810	2,882	0.045	142,346		
Jan'19	3,060	3,099	3,038	3,098	0.039	104,514		
March	2,909	2,950	2,899	2,950	0.036	92,737		

Agriculture Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Corn (CBT) -5,000 bu.; cents per bu.								
July	399.00	402.00	395.00	395.25	-4.00	807,621		
Dec	416.50	419.50	413.00	413.00	-4.00	492,594		
Oats (CBT)	-5,000 bu.; cents per bu.							
July	241.00	242.50	240.25	241.00	-2.5	4,283		
Dec	256.00	256.50	254.50	255.50	-1.25	1,019		
Soybeans (CBT)	-5,000 bu.; cents per bu.							
July	1001.00	1007.50	992.50	995.00	-4.75	417,946		
Nov	1010.50	1017.00	1002.00	1004.25	-4.75	242,897		
Soybean Meal (CBT)	-100 tons; \$ per ton.							
July	377.00	380.40	374.30	375.10	-1.50	229,833		
Dec	369.70	372.60	366.80	367.70	-1.90	103,214		
Soybean Oil (CBT)	-60,000 lbs.; cents per lb.							
July	30.65	31.28	30.60	30.94	.35	252,750		
Dec	31.42	32.01	31.39	31.72	.33	101,804		
Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.							
July	1254.50	1258.00	1249.00	1250.00	-5.00	5,391		
Sept	1196.00	1198.00	1193.00	1197.00	...	2,699		
Wheat (CBT)	-5,000 bu.; cents per bu.							
July	496.00	505.00	495.00	497.50	3.25	231,560		
Dec	533.00	540.75	532.50	534.75	3.00	92,214		
Wheat (KCI)	-5,000 bu.; cents per bu.							
July	516.00	528.00	514.50	519.00	5.00	133,115		
Dec	561.00	571.75	559.25	563.50	5.25	54,041		
Wheat (MPLS)	-5,000 bu.; cents per bu.							
July	611.50	621.00	610.50	614.75	3.50	31,346		
Sept	619.75	626.00	618.00	620.50	2.75	11,767		
Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.							
May	132,675	132,755	131,975	133,100	.375	3,283		
Aug	137,000	138,825	136,250	138,725	2.00	26,559		
Cattle-Live (CME)	-40,000 lbs.; cents per lb.							
June	102,000	103,575	101,375	103,050	1.225	68,660		
Aug	99,050	99,750	98,200	99,100	.050	155,280		
Hogs-Lean (CME)	-40,000 lbs.; cents per lb.							
June	75,625	76,725	75,400	76,475	.575	50,344		
July	78,300	78,550	77,825	78,200	-.525	65,853		
Lumber (CME)	-110,000 bd. ft. \$ per 1,000 bd. ft.							
July	635.00	639.00	631.60	639.00	10.00	5,226		
Sept	619.40	624.60	616.40	624.60	10.00	930		

Interest Rate Futures

	Contract	Open	High	hi lo	Low	Settle	Chg	Open interest
Milk (CME) -200,000 lbs., cents per lb.								
May	3,828
May'18	15.23	15.23	15.22	15.23	-.02	3,828		
Cocoa (ICE-US)	-10 metric tons; \$ per ton.							
July	2,725	2,767	2,626	2,639	-.91	127,110		
Sept	2,749							

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables
 The following explanations apply to 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. and the previous day.

Thursday, May 17, 2018

Net

Stock Sym Close Chg

A B C

ABB ABB 24.09 0.18

AES AES 12.05 -0.23

Aflac AFL 45.53 0.12

AGNC Inv AGNC 18.84 -0.04

ANGI Homesc ANGI 14.04 0.01

Ansys ANSS 164.58 -0.70

ASML ASML 202.38 -0.50

AT&T T 31.93 -0.37

AbbottLabs AbbottLabs 61.06 -0.29

AbbVie AbbV 105.32 -0.28

Abiomed Abmd 379.94 -2.03

Accenture ACN 154.93 -0.01

ActivisionBlitz ATVI 71.66 1.33

AdobeSystems ADBE 236.85 -0.54

AdvanceAuto AAP 119.79 0.76

AdMicroDevices ADM 12.82 ...

Aegon AEG 6.94 0.02

AerCap AER 55.52 -0.28

Aetna AET 177.03 -0.44

AffiliatedMtrs AMG 169.25 1.93

AigleTechs AET 63.59 1.65

AignicEagle AETM 43.94 -0.39

AirProducts APPD 166.77 0.23

AkamaiTech AKAM 76.09 1.50

AlaskaAir ALK 58.60 -0.50

Albermarle ALMB 104.88 2.45

Alcoa ALC 50.71 0.52

AlexandriaEst AER 121.75 -0.89

AlexionPharm ALXN 121.15 0.15

Allibaba BAB 196.02 -0.29

AlignTech ALIGN 29.72 4.76

Alkermet ALKS 46.01 -1.67

Allegany YH 581.34 -2.01

Allegion ALLE 76.87 -0.15

Altigen AGEN 160.23 5.70

AllianceData ADAT 205.07 0.89

AlliancEnergy LNT 40.64 -0.25

AllisonTransm ALSN 43.43 0.39

Allstate ALL 95.00 -0.62

AllyFinancial ALLY 26.99 0.36

AlynlabPharm ALN 101.64 0.05

Alphabit G COOG 107.89 -3.38

Alphabell G EAPT 43.94 -0.34

Alphatech Corp APPV 6.45 -0.38

Alphatech Corp APTV 6.45 -0.38

Alphatech Corp B APPV 6.45 -0.38

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BANKING & FINANCE

Calpers Weighs Private-Equity Strategy

Biggest pension fund in U.S. wants to back funding vehicles and invest in unlisted firms

BY DAWN LIM

The nation's largest pension is considering a new strategy: setting up multibillion-dollar funds to buy and hold private companies for the long haul, replicating the approach of Warren Buffett's **Berkshire Hathaway Inc.**

California Public Employees' Retirement System wants to be the sole backer of funding vehicles that will invest in technology startups as well as privately held businesses. The move would help Calpers cut its reliance on traditional Wall Street funds and slash hefty fees paid to those firms.

The plan, which needs to be approved by the Calpers board, could give the pension fund as much as \$20 billion in new venture-capital stakes and positions in unlisted compa-

nies within a decade, investment officials said.

The proposal is part of a push by the roughly \$355 billion state pension to boost returns and score access to coveted deals. Calpers has held months of protracted internal discussions on the future of its private-equity portfolio. The roughly \$26 billion portfolio has underperformed its benchmarks over the past decade.

Over the 10-year period ended March 31, Calpers said its return of 8.9% from private equity was short of the benchmark, according to pension-fund documents. It has outperformed its benchmark over the past 20 years.

Calpers's deliberations underscore a growing trend among U.S. state funds, including the Teacher Retirement System of Texas and the California State Teachers' Retirement System, to find new ways to control how their money is invested. Calpers, which is responsible for benefits to more than 1.9 million active or retired public work-



Ted Eliopoulos tried to simplify the Calpers portfolio and cut fees.

planned venture would allow it to create investment partnerships in which it is the only investor.

"We're going to own them [companies] forever rather than being forced to sell them at an arbitrary time point," said Chief Investment Officer Ted Eliopoulos. Earlier this week, Mr. Eliopoulos, who tried to simplify the portfolio and cut fees, said he would step down by year-end.

As part of its proposal, Calpers is considering a platform focused on late-stage startups in technology, life sciences and health care, an area where heated competition is sending the prices of deals skyrocketing. The plan would be a significant shift for the pension fund, which only had a sliver of its private-equity portfolio—some 3%—in venture capital as of December.

In addition, Calpers is looking to launch a vehicle to buy and hold companies with stable revenues.

The proposal would be launched in 2019 if it gets

board approval. One board member, Margaret Brown, in a statement Thursday expressed concerns that the board doesn't have full details.

This week board members gave staff the approval to start researching how it would implement the proposed model, said another board member, Dana Hollinger.

"I think we are at the forefront of creating a new business model for private equity," she added.

Calpers lacks a permanent head of private equity after Real Desrochers stepped down about a year ago, but expects to bring on a new private-equity chief by June, said a person familiar with the matter.

Calpers expects that it would need to invest as much as \$13 billion a year to meet its goal of having 10% of assets in private equity. Any new initiatives would take place alongside more traditional investments in private-equity funds. The fund only had 7.6% of assets in the asset class at year's end, below its goal.

Citigroup Is Fined for IPO Lapses

BY JULIE STEINBERG

Hong Kong's securities regulator fined an Asian unit of **Citigroup Inc.** 57 million Hong Kong dollars (\$7.3 million) for failures while leading an initial public offering in 2009.

Hong Kong's Securities and Futures Commission said Thursday that Citigroup hadn't conducted "adequate and reasonable due diligence" on some aspects of the listing of Chinese company **Real Gold Mining Ltd.**, for which it acted as sponsor. Sponsors shepherd companies through the listing process and can be held liable for misleading statements in the IPO prospectus.

Real Gold Mining, which operates mines in China, raised over \$130 million in its IPO in Hong Kong. It was suspended from trading on the Hong Kong stock exchange in 2011. The company disclosed corporate governance breaches and disclosure lapses, and its auditors resigned later that year. The shares have yet to resume trading.

Citigroup conducted customer-related interviews regarding the company without independently verifying the customers' identities, the regulator said, and failed to supervise gathering of the due diligence by junior employees.

A Citigroup spokesman said the firm had "cooperated fully with the SFC's investigation and has already taken appro-



The bank is among 15 financial firms the Hong Kong regulator has been investigating for IPO work.

priate action to ensure that it meets its legal and regulatory obligations at all times."

"The resolution announced by the SFC today does not involve any license suspension and does not place any constraints on Citi's business activities or on any individual in Hong Kong or elsewhere."

The U.S.-based bank had jumped to the top of the league tables for stock underwriting and related activities in Asia excluding Japan as of the end of the first quarter.

The regulator has moved to reinforce sponsor standards as Hong Kong prepares to play host to hotly anticipated IPOs in the second half of this year, including those of Chinese smartphone maker **Xiaomi Corp.**, online platform **Meituan-Dianping** and others.

The regulator said the Real Gold Mining IPO is the only offering led by Citigroup over which it had concerns.

Citigroup is among a crop of 15 financial firms the securities regulator has been in-

vestigating for IPO work, a priority undertaken by the body's enforcement chief, Thomas Atkinson. More settlements are expected with other firms in coming months, according to people familiar with the discussions.

UBS Group AG said in March that it was appealing a decision by the regulator to suspend it from serving as a sponsor for IPOs for 18 months. The proposed penalty also includes a fine of HK\$119 million.

Canada Files Charges Related to SNC Probe

BY PAUL VIEIRA

OTTAWA—Canadian authorities said Thursday they have filed five charges against a former **SNC-Lavalin Group Inc.** executive in relation to a multiyear probe related to illegal political contributions tied to the global engineering company.

Under Canada's elections laws, corporations are prohibited from making donations to political parties. The charges were filed at the Court of Quebec in Montreal, according to a statement issued by Canada's Commissioner of Elections, and relate to an investigation involving SNC-Lavalin officials and their political fundraising activities between 2004 and 2011.

Charged is Normand Morin, who served as an executive vice president at the engineering company until his retirement in 2004. He also serves on the board of directors at **Goodfellow Inc.**, a Canadian lumber company, and was re-elected in April to the board.

Attempts to reach Mr. Morin in Montreal were unsuccessful. A representative for Canada's federal prosecutors couldn't provide further information such as Mr. Morin's age and address. A representative for Goodfellow wasn't immediately available for comment.

The charges against Mr.

Morin allege, among other things, he knowingly tried to conceal and circumvent the source of political donations.

With the charges, the investigation into SNC-Lavalin officials has come to an end, the elections watchdog said.

In September 2016, SNC-Lavalin and the Canadian election watchdog entered into a compliance agreement in which the firm acknowledged former employees made illegal contributions. Under such pacts, the federal agency and the party involved agree to terms and conditions to ensure political-financial laws are followed. At the time the agreement was reached, the election watchdog said its investigation would continue.

A spokesman for SNC-Lavalin said the company wouldn't comment on criminal charges against former employees.

The company has been trying to clean up its image following a series of corruption allegations this decade. "It's affected us less as time has gone on, but it's still a reputational business," Chief Executive Neil Bruce told Toronto-based *The Globe and Mail* in a story published in May.

The company also faces bribery and fraud charges, filed in 2015, stemming from its previous work in Libya. The company is contesting those charges.

WELLS

Continued from page B1
dering controls, the people said. The employees also were working to get documents in order prior to new requirements from another regulator for disclosures related to proof of beneficial ownership of businesses, the people added.

Wells Fargo became aware of the behavior in recent months from employees, the people said. After investigating, the bank discovered the behavior wasn't an isolated incident, the people added. The bank is still investigating the matter, one of these people said.

Wells Fargo has reported the problem to the Office of the Comptroller of the Currency, one of its main federal regulators, the people said.

That agency is probing the problem, according to a person familiar with the matter.

A Wells Fargo spokesman said the bank doesn't comment on regulatory matters. He said in a statement: "This matter involves documents used for internal purposes. No customers were negatively impacted, no data left the company, and no products or services were sold as a result."

The spokesman added: "Over the past several months we've built more robust internal processes that reinforce our values, and if we find any situations where behavior violates those values, we take swift action to correct."

The altering of information within the business-banking division of Wells Fargo, which

STREET

Continued from page B1

Investors who rejected Argentina were right that the country was far, far riskier than the U.S. What they missed—at least so far—is that investors were pretty well rewarded for that risk last summer. Buyers of Treasurys were barely rewarded at all for the substantial but hidden risks they were taking.

Argentina has been trying to get back on its feet after the catastrophic rule of Cristina Kirchner ended three years ago, and has made a lot of progress. But the perception that center-right President Mauricio Macri was backsiding, combined with the large current-account deficit and low foreign-exchange reserves, left Argentina vulnerable to the recent souring in sentiment toward emerging markets.

A strengthening dollar raises

concerns about countries with big current-account deficits, and Argentina is most exposed, along with Turkey.

In return for these risks,

investors are currently

promised an 8.1% yield

on the century bond, up

from 7.9% when it was issued

thanks to the fall in price.

That is a substantial pre-

mium to the 3.1% available

on the 10-year Treasury, or

3.2% from the 30-year.

Earlier in May, Wells Fargo

named JPMorgan Chase & Co.

risk-management executive

Amanda Norton as its new

chief risk officer, beginning

this summer. Wells Fargo is

rolling out a new risk-manage-

ment framework designed by

a consultant after regulators in-

formally disapproved of previ-

ous plans.

The Default Choice

The coupon on Argentina's 100-year dollar bond has more than offset the fall in price since issue, unlike on U.S. Treasury bonds.



*Benchmark 10- and 30-year bonds at start of period

Source: Thomson Reuters

for different assumptions of risk is pretty simple.

It will take a little more

than 12 years for Argentine

bondholders to get their

money back via coupons, the

basis of a bond-market mea-

sure known as duration,

which also includes the final

repayment at maturity. If

your best guess was that it

will be 20 years until Argen-

tina defaults again, you ex-

pect to make your money

back plus eight years of

7.125% coupons—more than

you would get on a Treasury

maturing in 20 years, and

with the prospect of recouping

something after the default,

too. Even better, the money

would be paid earlier thanks to the fat coupons, freeing it up for other investments.

Of course, if you think Ar-

gentina will last less than 12

years until its next default,

then the yield remains too

low to consider the bonds

worthwhile, barring a fast

recovery from default.

Owners of Treasurys have

nothing to fear from default,

since the U.S. government

borrowers in a currency it can

print. But investors are much

more exposed to falls in price

if yields rise, and low start-

ing yields mean it will take

longer to recoup any price

drop by clipping the coupon.

Bondholders learned a

hard lesson in what they call duration risk two years ago, after yields on long-dated bonds dropped to new lows in the aftermath of Britain's vote to leave the European Union. From its peak in July 2016, the price of the 30-year Treasury dropped 20% in less than six months. It takes many years to make back those losses when yields and coupons are low.

Comparing the reward for duration risk is almost as simple as comparing yields with the number of years until a predicted default. If the yield of the 30-year Treasury rises 1 percentage point, the price will tumble 23%. A similar rise in the

MARKETS

Treasurys Decline as Auction Falls Short

BY DANIEL KRUGER

U.S. government bonds weakened on Thursday as the government sold \$11 billion of inflation-indexed debt, helping to send yields to

CREDIT MARKETS multiyear highs. The yield on the benchmark

Treasury 10-year note climbed for the fourth consecutive session, rising to 3.109%—its highest closing level since July 2011—from 3.093% Wednesday. Yields rise as bond prices fall. The yield on the 30-year Treasury bond reached its highest closing mark since June 2015, settling at 3.245% from 3.214% Wednesday.

Analysts said the auction of \$11 billion of 10-year Treasury inflation-protected notes, known as TIPS, Thursday attracted weaker demand than expected, even as inflation expectations hover near their highest level since 2014.

The break-even rate of inflation, which measures the gap in yields between conventional government debt and TIPS of similar maturities, has risen this year as the economy has continued its solid growth. Investors project a 2.19% average annual rate of inflation for the next 10 years.

Bond yields have risen this year, lifted in part by signs of a pickup in inflation, which hurts the value of outstanding bonds by eroding the purchasing power of their fixed payments. Widening deficits, propelled by tax cuts and higher government spending, also have increased the supply of bonds, leading investors to expect yields should rise.

Some investors and analysts said the recent yield gains were surprising, given geopolitical concerns world-wide.

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.

NINE-YEAR, EIGHT-MONTH TIPS

Applications	\$28,575,482,300
Accepted bids	\$12,910,859,800
"noncompetitively"	\$13,582,300
Auction price (rate)	97.131469 (0.934%)

Interest rate 0.500%

Bids at clearing yield accepted 22.90%

Cusip number 9128283R9

The Treasury inflation-protected securities, dated May 31, 2018, mature on Jan. 15, 2028.

U.S. Plans to Auction \$231 Billion in Debt

The Treasury Department will auction \$231 billion in securities next week, comprising \$167 billion in new debt and \$64 billion in previously sold debt. Details (all with minimum denominations of \$100):

♦ **Monday:** \$48 billion in 13-week bills, a reopening of an issue first sold on Feb. 22, 2018, maturing Aug. 23, 2018. Cusip number: 912796PV5.

Also, \$42 billion in 26-week bills, dated May 24, 2018, maturing Nov. 23, 2018. Cusip number: 912796QK8.

Noncompetitive tenders for both issues must be received by 11 a.m. EDT Monday and competitive tenders by 11:30 a.m.

♦ **Tuesday:** \$26 billion in 52-week bills, dated May 24, 2018, maturing May 23, 2019. Cusip number: 912796QH5.

Also, \$33 billion in two-year notes, dated May 31, 2018, maturing May 31, 2020. Cusip number: 9128284Q0.

Noncompetitive tenders for the bills must be received by 11 a.m. Tuesday and competitive tenders by 11:30 a.m. For the notes, the deadlines are noon and 1 p.m., respectively.

♦ **Wednesday:** \$16 billion in one-year, 11-month 0.033% floating-rate notes, a reopening of an issue first sold on April 30, 2018, maturing April 30, 2020. Cusip number: 9128284K3.

Also, \$36 billion in five-year notes, dated May 31, 2018, maturing May 31, 2023. Cusip number: 9128284S6.

Noncompetitive tenders for the floating-rate notes must be received by 11 a.m. Wednesday and competitive tenders by 11:30 a.m. For the five-year notes, the deadlines are noon and 1 p.m., respectively.

♦ **Thursday:** \$30 billion in seven-year notes, dated May 31, 2018, maturing May 31, 2025. Cusip number: 9128284R8.

Noncompetitive tenders must be received by noon Thursday and competitive tenders are due by 1 p.m.

When Profits Zig, Market Zags

Stocks tend to do worse after a bumper earnings seasons than a disappointing one

BY MIKE BIRD

U.S. companies have posted great earnings, but investors shouldn't count on that giving their stocks a boost.

That is the counterintuitive conclusion from the past seven years, when U.S. and European stock markets tend to do worse after a bumper earnings seasons than a disappointing one, according to a Wall Street Journal analysis.

Companies on the S&P 500 have just posted their best quarter of earnings, and the largest overshoot of analyst expectations, since 2010. The index, though, has returned 3.3% since the end of the first quarter, no different than stocks in Europe and Japan, which had much less impressive earnings growth.

At the turn of the year, analysts expected net income growth of about 10% in the first quarter of 2018. But with the vast majority of S&P 500 companies reporting, net income is up nearly 25%.

In quarters that followed forecast-beating earnings in the past seven years, the S&P 500 returned only 2.4% on average. When earnings undershot estimates, the index returned an average of 3.8%.

The difference is even starker in Europe. Since 2011, in quarters that followed Stoxx Europe 600 companies posting stronger-than-expected earnings, returns have been slightly negative on average.

That could be for a simple reason: Earnings reflect the recent past, while investors are preoccupied with what is to come.

At the moment, investors have a lot to keep them cautious, including interest-rate increases and potential trade protectionism.

"All of 2017, with the strong stock-price gains, was all premised on what we have today, basically a Goldilocks environment for stocks," said Robert Pavlik, senior portfolio manager at SlateStone Wealth. But now, rate increases will raise borrowing costs for businesses and crimp consumer demand, he said.

"Investors have instead focused on future earnings guidance, which has been more cautious," said Sameer Samana, global equity strategist



A warning about margins last month led Caterpillar's stock lower after it posted higher-than-expected earnings.

Expectations Dashed

U.S. earnings are beating analyst forecasts by the greatest margin in years, but that has often proved a poor predictor of how much stocks will rise.

Growth in net income, relative to analyst estimates



Source: FactSet *Returns based on quarters in which the previous quarter's results are released

Average quarterly return of the S&P 500 since 2011*



THE WALL STREET JOURNAL.

earnings per share to rise 20% for the S&P 500 and 9.3% for the Stoxx Europe 600, according to FactSet data.

Many analysts have said the U.S. tax overhaul had an impact on first-quarter earnings, saying that the outperformance may reflect a one-time boost rather than sustained higher growth.

Other factors—changes in bond yields, the direction of economic data, geopolitical risks—boost or weigh on stocks. The strength of the economy will eventually move earnings, but won't be immediately reflected in year-over-year growth.

"Away from earnings, investor sentiment appears to have been affected by a combination of rate concerns and continued elevated volatility," said Barclays PLC credit analysts in a recent research note. The analysts also noted that stronger earnings data, which should also be a positive for corporate debt, hadn't caused spreads on corporate bonds—the yield premium compared with Treasurys—to tighten.

Shares Retreat Amid Focus on Trade Worries

BY MICHAEL WURSTHORN AND RIVA GOLD

traction.

"President Trump's comments today have contributed to a continued lack of clarity on trade," said Emily Roland, head of capital markets research at John Hancock Investments. "There's this cloud of geopolitical uncertainty that's overshadowing the fact that we have a fairly sturdy backdrop in the U.S."

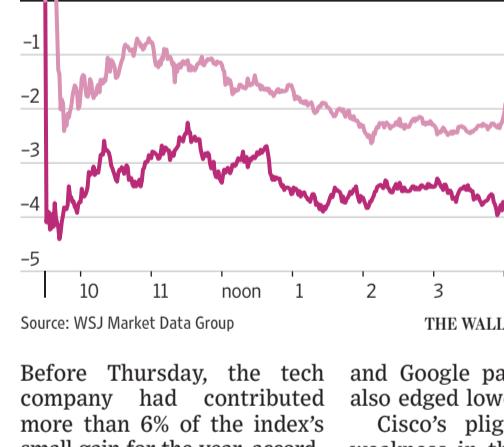
The Dow industrials fell 54.95 points, or 0.2%, to 24713.98, while the S&P 500 slipped 2.33 points, or 0.1%, to 2720.13 and the Nasdaq Composite lost 15.82 points, or 0.2%, to 7382.47.

Shares of Cisco, an index heavyweight that had been a major contributor to the S&P 500 this year, were punished after the networking giant offered earnings guidance late Wednesday that wasn't much better than analysts' expectations, despite a strong IT spending backdrop.

Cisco has been having a bigger impact on the market-cap-weighted S&P 500 this year due to its size and because its stock has been among the best performers.

Coming Up Short

Walmart and Cisco Systems saw their share prices fall Thursday after reporting strong earnings.



Source: WSJ Market Data Group

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Before Thursday, the tech company had contributed more than 6% of the index's small gain for the year, according to S&P Dow Jones Indices.

Its shares fell \$1.70, or 3.8%, to \$43.46 Thursday and dragged down shares of other communications-equipment providers on a day when some popular tech stocks like Apple

and Google parent Alphabet also edged lower.

Cisco's plight exposes a weakness in the market: the reliance on technology companies to move indexes higher. Just a handful of companies, such as online retailer Amazon.com and streaming-service provider Netflix, as well as Cisco, are mostly holding the

Crude Prices Hold Steady

BY SARAH MCFARLANE AND ALISON SIDER

climbing above \$72.

"We might have seen a little profit-taking," said Eugene McGillian, research manager at Tradition Energy, adding that the strong dollar may have dented oil's rise. Oil and the dollar often move in opposite directions because a stronger dollar makes oil more expensive for buyers using foreign currencies.

But with oil prices up more than 18% this year, some are starting to question whether demand will take a hit. Michael Hewson, chief market analyst at CMC Markets, said he expects oil prices to remain in a range of \$72 to \$85 a barrel and wouldn't rule out \$90 Brent this year.

"The only reason that will

stop it from going higher is demand destruction; ultimately, people will use it less and consumption will go down," he said.

Thursday's earlier gains came as European companies pull back from Iran. The U.S. has said it is possible there will be secondary sanctions imposed on European companies who continue to deal with Iran. French energy company Total SA said Wednesday that it would withdraw from a major gas project in Iran before November if it wasn't granted a waiver by the U.S. "

MARKETS

The Dollar Rally Has Some Nonbelievers

By CHELSEY DULANEY

The U.S. dollar has snapped back to life over the past month, but many investors are staying wary of the currency's sudden resurgence.

The greenback's 4.1% rally since mid-April has been driven by rising investor confidence in the U.S. economy and the path for higher U.S. interest rates, which is helping to draw investors back into the U.S.—and its currency.

The rise has already rippled through the global economy, putting pressure on countries such as Argentina and Turkey that trade and borrow heavily in the dollar while threatening to choke off the flow of money throughout the financial system.

But not everyone expects the dollar's comeback to last. A combination of widening budget and current-account gaps—known as “twin deficits”—will likely weigh on the currency, while growth abroad should eventually outshine the U.S., some analysts said.

“The backdrop remains favorable for a weaker dollar,” said Alvise Marino, a foreign-exchange strategist at Credit Suisse. Larger deficits have historically dragged on a currency because they suggest more money is flowing out of the country than into it.

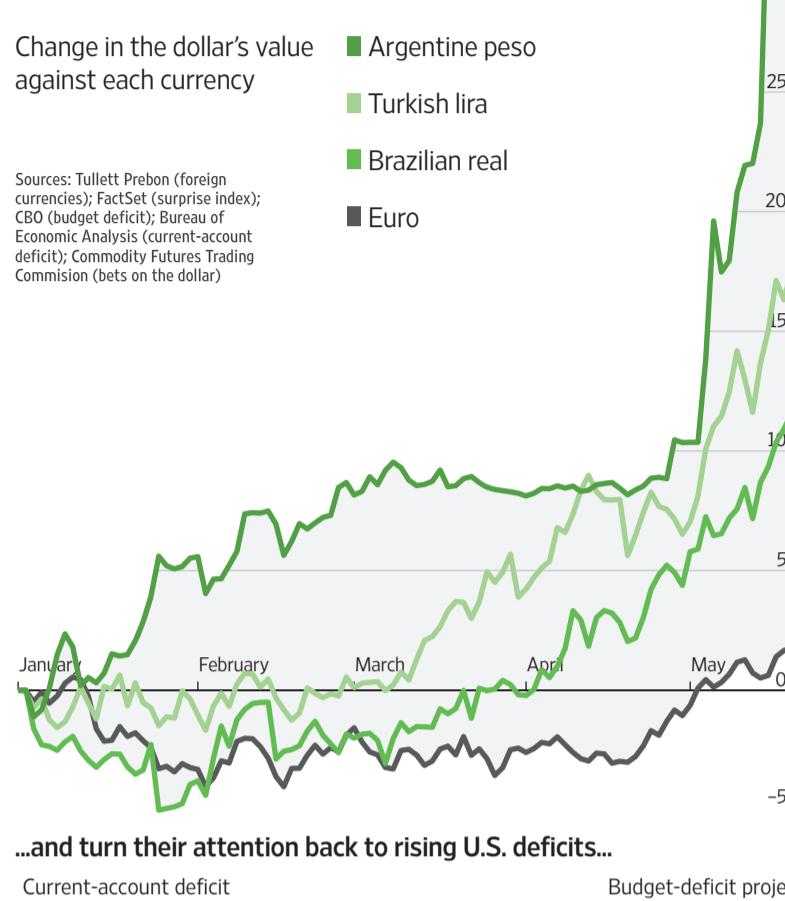
The dollar’s unpredictability has been a source of frustration for many on Wall Street in recent years. The currency fell 7.5% in 2017—its worst annual performance in a decade—defying investors who had expected solid U.S. economic growth, rising U.S. interest rates and fiscal stimulus to boost the currency.

Investors were instead focused on stronger growth abroad, flocking to assets across Europe, Asia and other emerging markets, and the potential for growing U.S. deficits after the U.S. tax overhaul

The dollar is rallying again, putting pressures on currencies such as the euro and Argentine peso. But some investors don't think it will last.

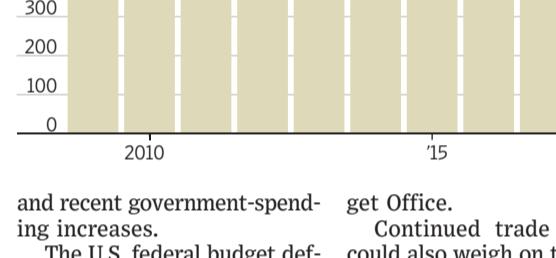
Change in the dollar's value against each currency

Sources: Tullett Prebon (foreign currencies); FactSet (surprise index); CBO (budget deficit); Bureau of Economic Analysis (current-account deficit); Commodity Futures Trading Commission (bets on the dollar)



...and turn their attention back to rising U.S. deficits...

Current-account deficit

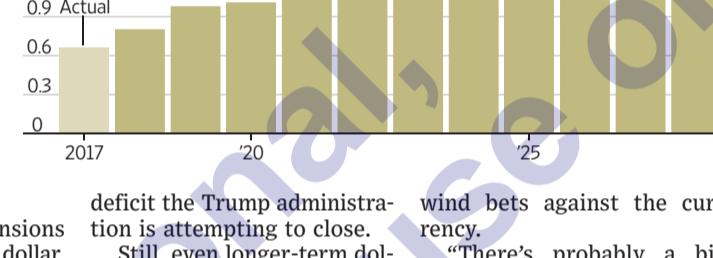


and recent government-spending increases.

The U.S. federal budget deficit is expected to widen to more than \$800 billion this year from \$665 billion in 2017, according to April estimates from the Congressional Bud-

- Argentine peso
- Turkish lira
- Brazilian real
- Euro

Budget-deficit projections



get Office. Continued trade tensions could also weigh on the dollar, analysts say. Reduced trade between the U.S. and its major partners could effectively reduce demand for dollars and potentially widen the trade deficit the Trump administration is attempting to close.

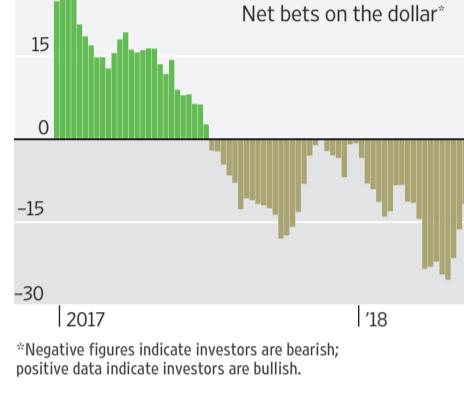
Still, even longer-term dollar bears are hesitant to predict an immediate end to the dollar rally as rising U.S. Treasury yields support the dollar and investors continue to unwind bets against the currency.

“There's probably a bit more room for the dollar to keep moving,” said Mark McCormick, North American Head of FX Strategy at TD Securities. “I still think this is

U.S. economic-growth momentum has slowed...



...while investors hold big bets that the dollar will fall.



*Negative figures indicate investors are bearish; positive data indicate investors are bullish.

largely a positioning unwind.”

Hedge funds and other speculative investors have halved their bets against the dollar in recent weeks but are still holding roughly \$12 billion in bearish positions, according to Commodity Futures Trading Commission data.

And recent economic data have damped hopes for a synchronized recovery in global growth, which could work in the dollar's favor as the U.S. economy continues to expand at a steady clip. European growth slowed in the first quarter of the year, spooking investors who had piled into the single currency last year amid optimism about the economy and prospect of European Central Bank policy-tightening.

Many economists believe the decline in growth was driven by short-term factors such as unseasonably cold weather and labor strikes in Germany and France.

“It's not really a slowdown, but more of a stabilization,” said Sireen Harajli, a foreign-exchange strategist at Mizuho Bank. She forecasts the euro could rise to \$1.26 by year-end from \$1.18 Thursday.

A retrenchment in the dollar would come as a relief to countries such as Argentina and Turkey, which have struggled in recent weeks as the dollar has risen. A stronger dollar makes their dollar-denominated debts more expensive to pay back, while higher U.S. yields have encouraged investors to pull money from those countries to invest in Treasury bonds.

Argentina's peso has fallen roughly 17% against the dollar over the past month, prompting the country to seek a line of credit from the International Monetary Fund to stabilize its economy. Turkey's lira is down 8.1% over that period, sending the currency to new record lows and threatening to further stoke inflation.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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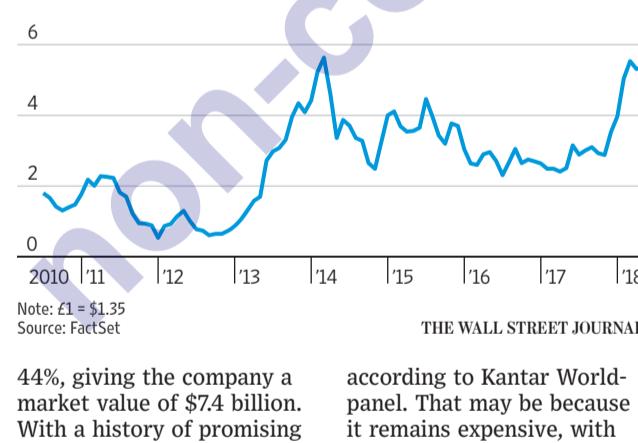
Kroger Gambles on Food Delivery

OVERHEARD

J.C. Penney's Trouble Isn't The Weather

Short Squeeze

Ocado's share price since IPO



according to Kantar World-panel. That may be because it remains expensive, with orders typically fulfilled by personal shoppers. Ocado's technology should help Kroger bring down the price of delivery, encouraging adoption and giving it an edge over the current leaders Amazon and Walmart.

Americans have yet to embrace shopping for food online in the way Europeans have. Web orders accounted for just 1.5% of grocery sales in the U.S. last year, compared to 7.5% in the U.K.,

Click Retail. But it mainly sells coffee-machine pods and other nonperishable items. Until it bought Whole Foods last year, Amazon didn't have the scale in grocery necessary to justify automating fresh-food orders in the way it has automated orders of other goods. With a 9% market share, Walmart also is investing heavily in e-commerce, but hasn't automated picking.

For Kroger investors, the risk is an expensive race for scale in a market that remains barely profitable. A nationwide rollout of e-commerce warehouses furnished with advanced robotics implies substantial capital spending. The company said Thursday the Ocado deal was already factored into its earnings guidance for this year and next, though this doesn't rule out an increase in capital spending.

The deal with Ocado may give Kroger an advantage in the grocery-delivery race, but winning the contest and profiting from the victory are two different things.

—Stephen Wilmot

The fighting may be fake, but the money is all real.

World Wrestling Entertainment shares surged by as much as 17.7% on Thursday and hit an all-time high after the Hollywood Reporter said that the company may move one of its shows to a different network when its contract is up.

USA Network, owned by Comcast's NBCUniversal, would keep the “Raw” franchise but passed on another WWE show that it currently airs, “Smackdown,” because the price was too rich.

Investors think someone will pay a lot more for the hit show.

Including Thursday's increase, the wrestling promoter's shares have risen by 268% over the past three years.

Speaking of “Smackdown,” some 13.4% of the free float in WWE had been sold short according to FactSet data, providing a rude surprise to those investors who had been betting against it. Someone had better call the Undertaker.

Even when it is true, the weather is a bad excuse for poor results. The excuse looks even worse when a competing retailer says chilly temperatures didn't affect its strong results.

That is the situation **J.C. Penney** found itself in Thursday, when it reported same-store sales rose by just 0.2% in its fiscal first quarter from a year earlier, versus the 2.1% analysts anticipated.

The company blamed the missed expectations on cold temperatures that hit much of the U.S. in early April.

Sales in February and March, as well as the last two weeks of April, were stronger, Penney noted.

Investors weren't exactly buying it—shares of Penney fell more than 10% on Thursday. One reason might be that a day earlier **Macy's** results topped expectations, prompting it to raise its outlook for 2018. The chilly April weather didn't seem to affect the retailer's results.

It is possible, however, that Penney has a point about the weather. It doesn't have the same geographic footprint as Macy's, which has more stores in the South and Midwest, and fewer in the West and Northeast.

What probably troubles investors more is that Penney is talking about the weather when they want to see a payoff from the company closing weak locations and stepping up e-commerce investments.

Penney's market cap is now below \$1 billion and its shares are down more than 40% in the past 12 months—signs that investors have lost confidence in the company. If Penney doesn't want to be among retail's walking dead, it needs to start changing, and fast.

—Justin Lahart

China Won't Be Able to Dominate Lithium Mining Forever

Arcing Higher

Sociedad Química y Minera de Chile American depositary receipt price



Source: FactSet

state development agency.

Those sound like scary numbers. The reality is more mundane.

Global supplies are tight—prices roughly doubled be-

tween early 2016 and late 2017—but by the time the electric-vehicle revolution arrives, if ever, that may no longer be. Of the critical EV metals, lithium looks the most abundant by several key metrics. Reserves are over 400 times annual production, according to Bernstein, more than four times the ratio for cobalt and copper.

Even assuming China's strict government EV targets boost demand sharply, Bernstein estimates it will take just \$13 billion in investment to satisfy annual lithium consumption as of 2030, against more than \$100 billion for

nickel and copper.

Even if only a relatively small amount of mining capital spending migrates from mainstays like iron ore into lithium over the next decade, supply probably won't be a huge problem.

To be sure, prices could remain elevated while projects ramp up, but given that internal rates of return on new projects have been well above 50% for much of the past year, according to Bernstein, capital should be forthcoming. **Rio Tinto** is studying the possibility of producing lithium from its own Jadar deposit in Serbia. Meanwhile, China Inc.

isn't exactly buying on the cheap. A \$4.07 billion bid represents a roughly 20% premium over the Chilean miner's current value—already inflated at 30 times expected earnings.

China sees battery metals as key to its future, so deal financing will likely be plentiful. Rivals without cheap state-backed funds will find it hard to compete for companies with existing projects. The solution is obvious: develop new mines.

If lithium prices remain near current heady levels, the wait probably won't be all that long.

—Nathaniel Taplin



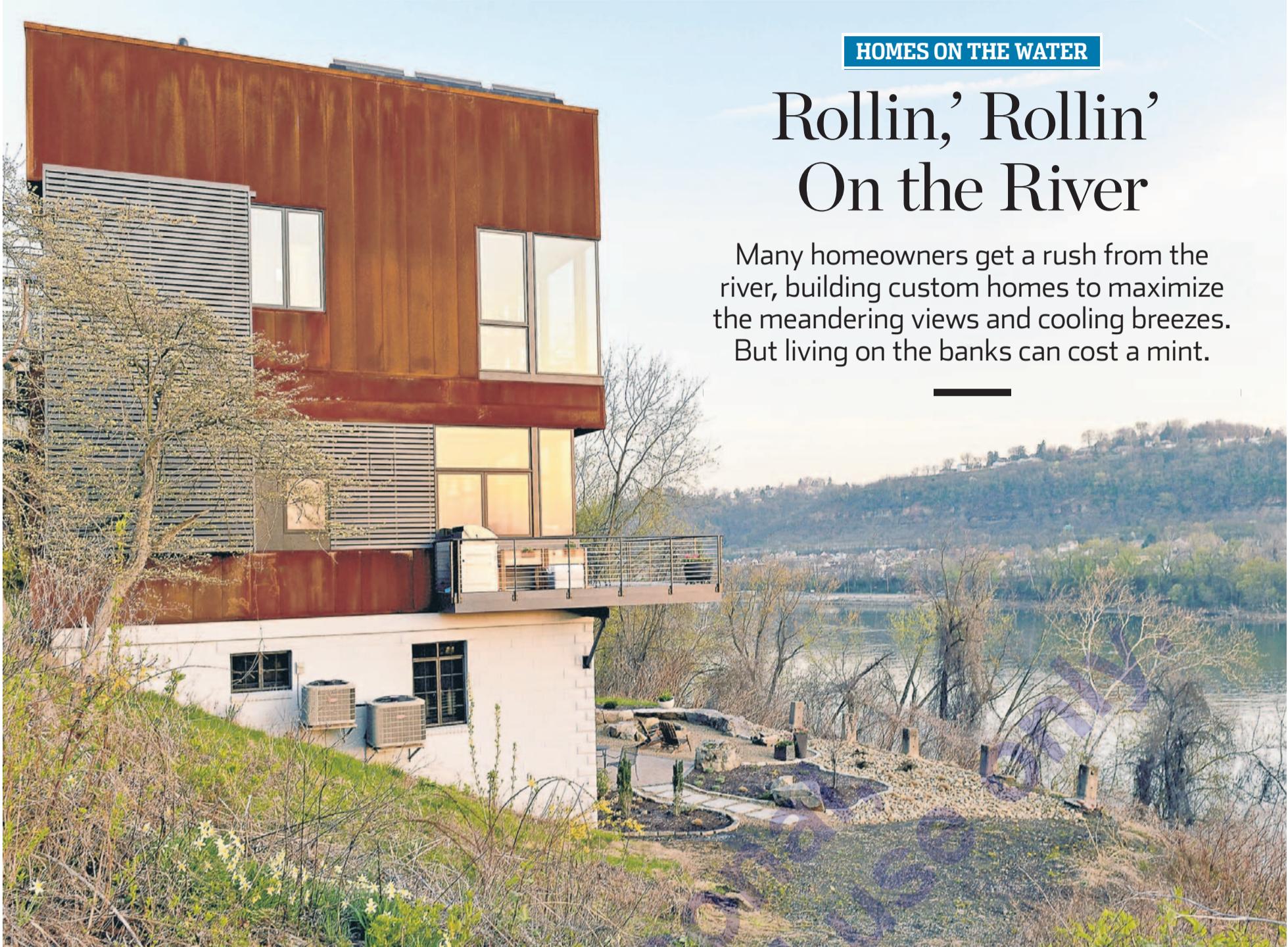
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THE WALL STREET JOURNAL.

Friday, May 18, 2018 | M1

ANDREW BANNEKER



LIVE STREAMING Cyd Stackhouse and Bob Bergren built a 3,300-square-foot home on the Allegheny River in Pittsburgh. The facade features rusted metal panels to blend in with the area's industrial aesthetic. The couple declined to disclose the cost of the home, but their architect said a comparable house would cost about \$900,000 to build.

BY ALINA DIZIK

IT'S ONLY FITTING that a modern home on the Allegheny River in Pittsburgh, the Steel City, would feature a metal facade mottled with rust.

Blending into the industrial environment was the goal, says Cyd Stackhouse, who with her husband, Bob Bergren, built a 3,300-square-foot waterfront home with walls of windows and sweeping views of the water and bridges.

Despite the location in the Morningside neighborhood, visitors have to squint to spot the home from the main road. "We wanted

something you barely see," says Ms. Stackhouse, 55, a schoolteacher. She and Dr. Bergren, a 57-year-old physician, completed the home in 2017 but declined to share construction costs. Their architect, Eric Fisher, said a comparable home would cost about \$900,000 to build.

Waterfront living isn't just about the ocean. Homeowners are also building luxury properties along riverbanks, where they can also enjoy sweeping views and cooling breezes. Owning a waterfront home involves special considerations. There are privacy concerns with homes built on busy rivers with recreational boaters as well as commercial traffic. Flooding and ero-

sion may also be a risk. But homeowners say the connection with nature makes the effort worth it. "The view is the single best thing," says Michael Frederick, a Beaufort, S.C., architect. "Everybody loves to look up or down."

Jim and Claudia Getchell worked with Mr. Frederick to position their Hilton Head Island, S.C., home around centuries-old live oaks with views of Broad Creek, a body of water bisecting the island. They can see the water "from basically every room," Mr. Getchell says. The couple—he's a retired food executive and she's a retired nurse—spent \$2.5 million to build their

Please turn to page M8

IBIZA: SPAIN'S BUOYANT SEASIDE RETREAT

The island moves beyond its bohemian past and now leads the rest of the country in the luxury-home market.

BY J.S. MARCUS

THE SPANISH ISLAND of Ibiza has transformed itself in recent years from a hippie redoubt and seasonal night-life hotspot into a Mediterranean haven for year-round high-end living.

A recent surge in home prices follows a reboot of luxury island amenities, from an expanded marina in Ibiza Town that now accommodates bigger yachts, to a number of new top-tier hotels and restaurants. Just south of the city, Sublimotion, a five-year-old restaurant in a beachfront hotel with a Spanish Michelin-star chef, has fixed-price dinners of \$1,800 per person. Farther inland, La Granja Ibiza, a two-year-old, mem-



POOLED RESOURCES Margot Muñoz-Calero and her husband have put their Ibiza compound on the market for \$19.4 million. The property features a pool surrounded by a wading patio.

bers-only retreat attached to a farm, has rates that exceed \$1,800 a night, with some suites offering views of both the north and south coasts.

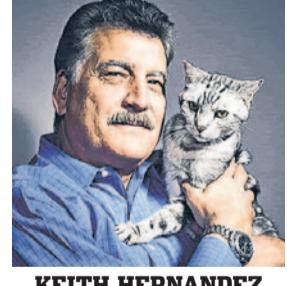
Ibiza's luxury-home market is far ahead of the rest of Spain. Four of the island's five municipalities are the four most expensive in the country, led by Ibiza Town, the only real city in the area, according to Pisos.com, the Spanish real-estate portal. Average home prices in the city now exceed \$577 per square foot—25% higher than prices in Sitges, the Barcelona-area beach resort that is currently Spain's second most expensive vacation-home destination, and nearly 40% higher than prime areas of Mallorca.

Please turn to page M5



MEGA SHAQ

O'Neal's huge estate asks \$28 million **M2**



KEITH HERNANDEZ

A life of baseball and books **M14**



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Shaquille O'Neal Lists for \$28 Million



The mega Florida estate of former NBA superstar Shaquille O'Neal—which includes the "Shaq Center" fitness facility and the "Shaq-apulco" outdoor swimming complex—is going on the market for \$28 million.

Located on about 3 acres

in the Orlando suburb of Windermere, the home measures about 31,000 square feet and has 12 bedrooms, according to listing agent Danial Natoli of Premier Sotheby's International Realty. In the master bedroom, a built-in round bed

measures about 15 feet across, Mr. Natoli said. The logo of Superman—one of Mr. O'Neal's many nicknames—appears throughout.

The "Shaq Center" contains a roughly 6,000-square-foot basketball court with bleachers and the logo of the

Miami Heat, for whom Mr. O'Neal played from 2004 to 2008. There is a walk-in cigar humidor with wine storage, Mr. Natoli said. One room's main feature is an Egyptian-themed, triangular

saltwater fish tank; another built-in fish tank resembles a truck with Mr. O'Neal as the driver. There are two garages, which combined hold about 17 cars.

The outdoor area, nicknamed "Shaq-apulco," has a 95-foot-long swimming pool with a rock waterfall and hot tub. A swim-up bar provides access to a covered outdoor kitchen.

The property has long served as the primary residence of the Hall of Famer, who is now an analyst on the TNT TV show "Inside the NBA," according

Mr. Natoli. Mr. O'Neal, 46, bought the property for \$3.95 million in 1993, when he was with the Orlando Magic, according to public records. He retired from the NBA in 2011.

He couldn't be reached for comment. Mr. Natoli said he is not sure of the athlete's reason for selling.

—Candace Taylor

Mr. Natoli



LOS ANGELES MANSION SELLS FOR \$56 MILLION

Le Belvedere, a lavish Los Angeles mansion once owned by real-estate developer Mohamed Hadid, has sold for \$56 million, according to multiple people familiar with the deal.

The property first came on the market in December 2016 for \$85 million but was most recently listed for \$72 million. The seller is State Management and Development, according to public records. The company couldn't be reached for comment. The buyer is a limited-liability company controlled by Max Fowles-Pazdro, a Los Angeles-based investor.

Mr. Hadid, who is the father of models Gigi and Bella Hadid, sold the property for \$50 million in 2010, but continued to live there as a tenant following the sale, public records show.

The 10-bedroom, château-style home sits on a 2.2-acre lot in Bel-Air and measures more than 35,000 square feet. It has a ballroom with seating for more than 200, a Turkish hammam, a Moroccan-themed room for entertaining and a screening room decorated with elaborate murals. The grounds include a 70-foot infinity pool and an outdoor pizza oven.

David Parnes and James Harris of the Agency and Stephen Resnick and Jonathan Nash of Hilton & Hyland represented the buyer. Stacy Gottula of the Agency and Joyce Rey of Coldwell Banker Global Luxury represented the seller.

The sale is the most recent megadeal to have closed in the area in recent months. Peter Morton, a founder of Hard Rock Cafe, recently sold his Carbon Beach property in Malibu, Calif. for about \$110 million.

—Katherine Clarke

Danny DeVito's former Beverly Hills compound lists for \$85 million **M12**

NORMAN MAILER'S BROOKLYN 'SHIP' FOR SALE



For decades, Pulitzer Prize-winning author Norman Mailer lived in a Brooklyn, N.Y., townhouse, transforming its top floor to look like a ship. Now the top-floor is on the market for \$2.4 million, said Mr. Mailer's son Michael Mailer.

The author formerly owned the entire brownstone but sold the lower floors before his death in 2007, his son said. The sale includes a two-bedroom

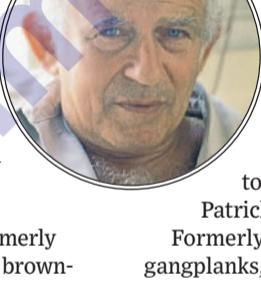
apartment spanning the fourth floor and a one-bedroom on the third floor; together they total approximately 1,636 square feet. The second unit could be combined with the unit upstairs, according to the listing agent Patrick Lilly of Core.

Formerly outfitted with gangplanks, hammocks and trapeze and a jungle gym by the elder Mr. Mailer, who wished to overcome his fear of heights, the two-story

atrium in the main unit is now mostly made up of glass. A sloping wood ceiling in the living room is reminiscent of a ship's bow.

The younger Mr. Mailer, 54, recalled several of his father's ex-wives living in the brownstone at the same time, and the children clambering on the jungle gym. "It was shocking that none of the kids had serious accidents," he laughed. He recalled his father threw numerous parties at the home, frequented by the likes of John Lennon, Bob Dylan and Woody Allen.

—Katherine Clarke



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HOMES ON THE WATER

BY CANDACE TAYLOR

CHAD FLOYD'S VOICE rises in excitement when he starts talking about boats.

His home on the Connecticut River is designed to resemble the wooden steamboats that once traveled the Mississippi. Large beams in the living room evoke steel trusses, while the louvered doors "are the kind you would have found in the 19th century on one of these vessels," said Mr. Floyd, a 73-year-old architect.

There's something about water and boating that stirs the passions. The nautical theme is having a moment with homeowners, who are finding unusual ways to bring a marine flavor into their homes.

Paulo Da Silva's roughly 26,000-square-foot home outside Johannesburg has porthole-like windows and its own 50-foot lighthouse that flashes seven different colors.

"I've always loved the sea," said Mr. Da Silva, 49, a native South African who as a child often visited Portugal's coast. "When I hear the water, it just calms me down."

Michael Garvey, a New York City interior designer, said many people also associate boating, and especially yachts, with an upscale lifestyle. He noted that shiplap—wooden siding similar in appearance to planks used in boats—is currently "huge" in home design.

Real-estate professionals, however, warn homeowners not to go overboard. The more unusual a home is, the harder it is to sell.

Nautical home design "can feel like a theme park in a split second," said Mr. Garvey.

But for some nautical buffs, resale value is beside the point.

Mr. Da Silva's Johannesburg house has a shipwreck-themed swimming pool and a "Titanic Café" with a sushi bar and a large built-in fish tank. For the master bedroom wall, Mr. Da Silva, who is retired from the steel industry, commissioned a stainless steel and glass model of the sinking Titanic, which lights up and even puffs mist out its smokestacks.

Mr. Da Silva says it took him about four years and roughly \$2 million to build the house, which was completed in 2004. "I tried to create a Hollywood-fantasy type of thing that nobody had," he said.

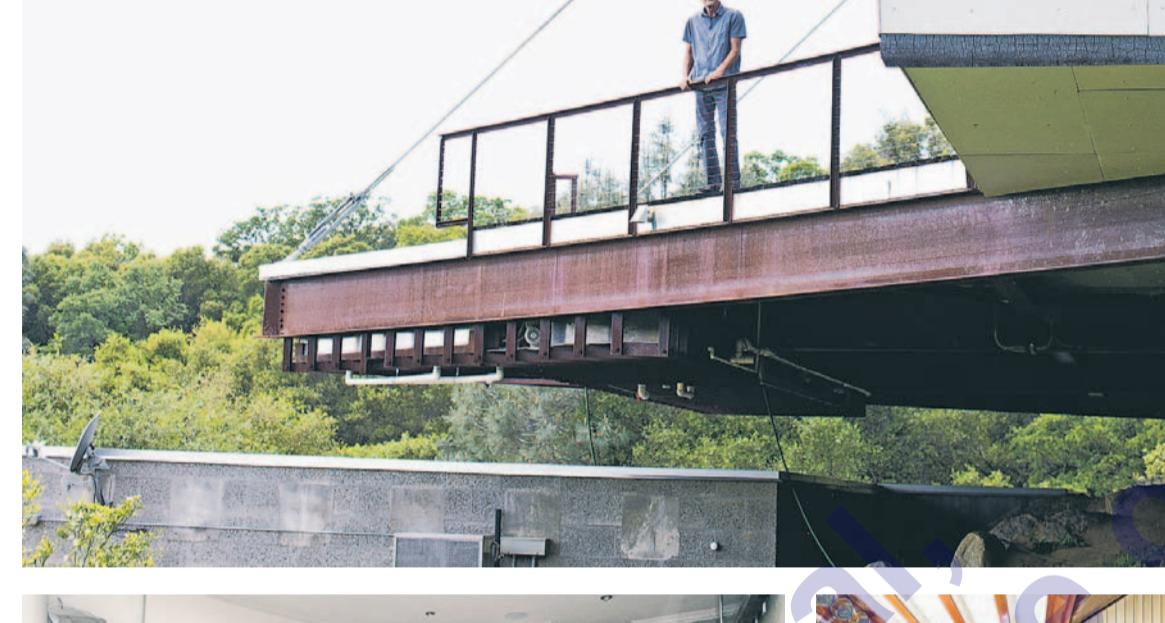
But with his children now grown, he put the home on the market in 2016 for about \$4 million. He recently raised the price to \$4.8 million. He acknowledges that the home's nautical theme may make it more difficult to sell, but believes the right buyer will come along.

"This isn't everybody's cup of tea," said California architect Martin Tarafdar, owner of a contemporary home dubbed the "Shipwreck House," which has three bedrooms plus a guesthouse. He first put it on the market three years ago for \$3.8 million; in November, he relisted it with a new agent, Cliff Keith of Today Sotheby's International Realty, for \$2,999,999.

THE MARKET

Going Nautical Without Going Overboard

Property agents warn homeowners a too-strong marine flavor can knock the wind out of sales



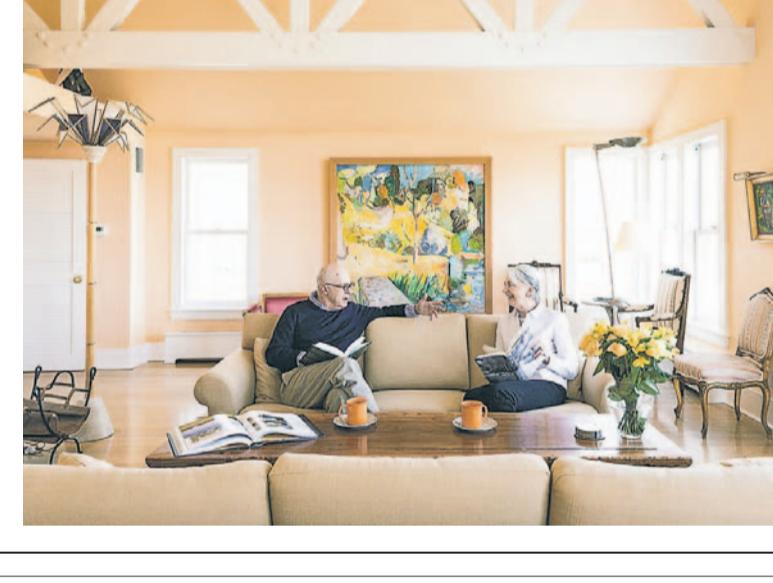
WHAT FLOATS THEIR BOATS Above, a model of the Titanic in Paulo Da Silva's Johannesburg home. Above right, Chad and Brenda Floyd used marine paint in their home. Right, beams in the living room evoke steamboat trusses.

flooded" look.

Mr. Tarafdar says the home's design was inspired by the location in Newcastle, Calif., about two hours outside San Francisco. Looking at the 1-acre parcel perched in the hills overlooking Folsom Lake, "I just envisioned a ship up against the rocks," he said.

Above a wave-shaped roof, three mast-like iron columns are topped with rectangular solar panels to suggest sails. Inside, Mr. Tarafdar sprayed the raw concrete floor with blue stain to give it a

Mr. Keith said he hasn't received any offers, though the home's ship-like appearance has



SHIP TO SHORE Martin Tarafdar's 'Shipwreck House' in California, left. Top right, blue stain gives the floor a 'flooded' look. Above, solar panels atop mast-like columns suggest sails.

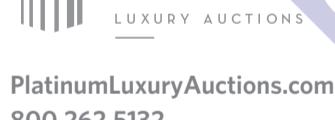
attracted plenty of free publicity. He is taking a nontraditional marketing approach, targeting buyers across the country and overseas. "It's going to take a unique person who's going to see it and say I want that," the agent said.

For the Floyds, it was important that their waterfront home in Essex, Conn., not feel "gimmicky," said Brenda Floyd, 67, an artist.

As visitors approach the house on a narrow bluestone walkway, the side-by-side garage and guesthouse evoke wharves, with the house a vessel about to set sail.

But the home also has elements that aren't at all nautical, such as the living room's high cathedral ceiling and fireplace. The couple, who are downsizing to a smaller home in town, listed the house a few weeks ago for \$2.15 million.

Mr. Floyd compared a nautical theme for a home to seasoning food. "You can put too much on, and blow it."



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HOMES ON THE WATER



CLOCKWISE FROM TOP: JOE TRAINA; SIMON BERLYN; NIGEL LORD

SURROUNDED A sunken living room created by Ryan Hughes, a Tampa-based outdoor-living designer. Costs for installing areas in the pool start at about \$25,000 for a simple platform, he estimates.

THE TRADE

Get in the Pool—But Don't Get Wet

The rise of resort-style swimming pools with sunken living rooms and platforms surrounded by water

BY ALINA DIZIK

MORE HOMEOWNERS want to get into their pools without getting wet.

New designs mimic sprawling resort-style pools with "islands" that are accessible via bridges and footpaths. Plush seating, dining tables, fire pits and sunbathing platforms are serenely surrounded by water.

"In some cases we're designing pools where people don't even swim in them," says Kurt Krausinger, founder of Lorax Design Group, a landscape architecture firm in Overland Park, Kan. "It's more about engaging with the pool itself."

Sunken living rooms with fire pits are a popular feature because homeowners can be at eye level with the water. Others are opting for large platforms in the middle of the pool with enough space for al fresco dining. "It's a fun feature that becomes a destination" within the home, says Ryan Hughes, a Tampa-based outdoor living designer.

Homeowners are interested in creating pool islands to get a "feel of multiple rooms in the backyard," says Rick Chafey, a Mesa, Ariz.-based pool designer. Mr. Chafey recently built a deck that's attached on one side and extends out over pool, so people can swim underneath. When designing larger pools, the goal is to encour-



age multiple gathering areas "by creating islands" that can make the area feel more spread out, he says. Increasingly that means free-form pool edges or lazy river type shapes rather than a paired down rectangular shape, says Mr. Chafey.

Others are using the island-type pool amenities to better integrate the pool's design with that of the home. Last year, Michael Nantz, a Dallas-based pool and landscape designer, created a two-story island that's connected by a walking path to the outdoor terrace in a Jamaica vacation home. The upstairs level is surrounded by glass,

so visitors get a glimpse of both the pool and the ocean, he says. The two-story island is seen from throughout the home and "brings the pool more inline with the [overall] architecture," he says.

Be prepared to pay for the amenity. A sunken living room feature can be especially costly to install and maintain because there are electrical hazards if high-voltage power is too close to the water's edge. Others are prone to flooding and require drainage pump systems along with additional waterproofing. Built-in lighting is essential because there's no way to



HIGH WATER A two-story 'island' is connected to an outdoor terrace in a Jamaica home, left. Above, an elevated pool path in a Los Angeles home listed for \$38 million.

hang lights overhead. Costs for installing areas in the pool start at about \$25,000 for a simple platform, Mr. Hughes estimates.

In 2016 U.S. homeowners spent \$2.7 billion on in-ground pools, up from \$1.8 billion in 2011, according to market research firm Pkdata.

The effort can pay off. Pools with opulent island-style entertaining areas are increasingly a deciding factor for buyers, says Rayni Williams, Los Angeles-based real-estate agent. In Los Angeles, homes above \$20 million can get a \$5 million to \$10 million premium based on the pool and lounging areas that

speak to the "California lifestyle," says Ms. Williams. Buyers prefer pool areas that are easily visible from the main indoor living areas rather than on a lower level or hidden from view. The "money shot" view of a resort-like pool from the home's entryway can sell a home instantly, says Ms. Williams.

Earlier this year, Ms. Williams sold a luxury property with a 12,000-pound rock with a fire pit center that was placed in the water and allowed for additional seating inside the pool. Some Mid-century Modern homes often have booths within the pool for entertaining, she adds. Homes with sunken living areas and fire features can create buzz around the property; a "famous" pool draws in luxury buyers, she says.

"Even if you use that pool once a year, [an elaborate pool] gives you a feeling that you're going to enjoy your life," she says.


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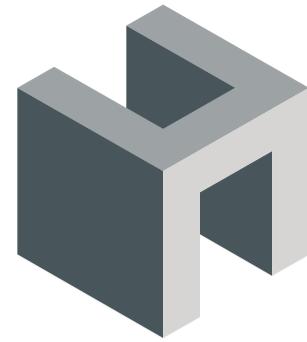
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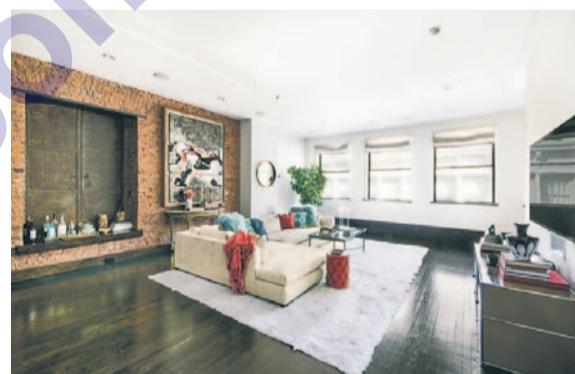
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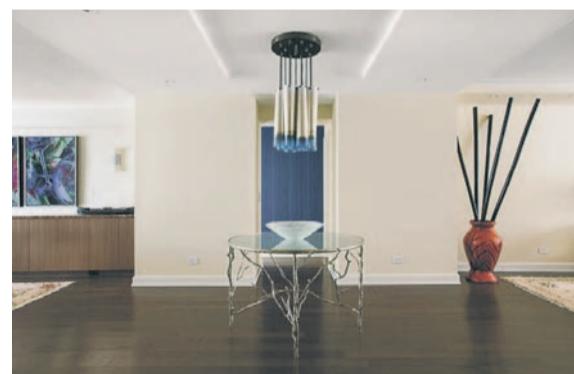
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HOMES ON THE WATER

IBIZA: SPAIN'S BUOYANT SEASIDE RETREAT

Continued from page M1

To avoid overdevelopment, Ibiza has strictly limited new home and hotel construction, further increasing property values. Last year, island prices rose 17%, according to Tinsa, a Spanish consultant specializing in real estate.

It takes only about 45 minutes to drive across the hilly, oval-shape island, and even hillside properties inland can have impressive sea views. The most expensive homes are in the southwest, offering quick trips to the airport and access to Ibiza Town and some of the island's most dramatic sunsets.

Modest island villas start at about \$3 million. High premiums are paid for waterfront spots. A new, white-cube contemporary home in the southwest with direct sea views is listed for \$6.9 million. The 4,900-square-foot home has six bedrooms and six bathrooms.

Closer to the water, a 4,500-square-foot, Spanish-style villa clinging to the side of a seaside cliff in the Es Cubells area, has an asking price of \$9 million. The six-bedroom, six-bathroom home is reachable by a vertiginous road.

For centuries, life on Ibiza revolved around fishing, farming and harvesting salt. Then, in the 1960s and 1970s, American hippies discovered the remote landscape reminiscent of coastal California. By the 1990s, partiers had taken up residence on the northwest coast in Sant Antoni de Portmany, the island's second-largest town, fostering the rise of nightclubs that still give the island its particular vibe in high season, when Ibiza Town's streets fill up around 8 a.m. with club-goers on their way home.

Today, many homeowners—who tend to come from the U.K., Germany, France, Italy and mainland Spain—use their homes all year, rather than just for seasonal stays.

Margot Muñoz-Calero, a Spanish interior designer and art collector, divides her time between a penthouse in a Madrid palace and a 5-acre coastal compound in southwest Ibiza. She uses her plush outdoor areas all year. "Ibiza means living outside," says the 71-year-old, who owns the home with her husband, Fernando Lopez-Chicheri, 75, a lawyer.

The two spent decades piecing together the property, parcel by parcel. They turned a derelict vacation home into an antique-filled villa. The renovation included transforming a stone tower into a three-story master suite. Pavilion-like structures around the compound include five other sleeping areas for visiting family. Wide views take in the coast. The property features an infinity-edge pool surrounded by a wading-pool patio.

The couple, who want to spend more time traveling, have listed the property for \$19.4 million.

Rolf Blakstad, a second-generation Ibiza design consultant, says first-time buyers favor waterfront



ISLAND LIVING Margot Muñoz-Calero, top right, at the Ibiza property she owns with her husband, Fernando Lopez-Chicheri. The couple has homes on the island and in Madrid. The main house on their Ibiza compound, top left, has a mix of antiques and custom furniture. A lavender field, above, on the 5-acre estate.



FINE FINCA Maria Rodriguez-Carreño Villangómez and her family have listed their property, originally a farmhouse dating at least to the 18th century, for \$9 million. Ms. Rodriguez-Carreño grew up in the home, left, that her parents bought in the 1970s and turned into a luxury villa. On right, a stable-turned-guesthouse.

homes, while those who upgrade often head inland. He says the latest design trend is "sharp rustic," or villas—renovated or newly built—that recall the whitewashed stone farmhouses, or fincas, that once dotted the island but today hide high-tech add-ons.

Austrian entrepreneur and former Formula One racing driver Niki Lauda traded in his cliffside view to move inland to a 15-acre estate above Ibiza Town. He and his wife, Birgit, worked with Mr.

Blakstad to refurbish a derelict hotel, itself a refurbished centuries-old finca. The 6,500-square-foot main house has three bedrooms and four baths, with a new 5,300-square-foot guesthouse has five bedrooms and five bathrooms.

"I like the finca style," says Mr. Lauda, 69. The Laudas and their two children divide their time between Ibiza and Vienna. Mr. Blakstad said the Lauda home, completed in 2016, cost about \$4.6 million to build.

London-based Canadian Brian Epp is one second-time buyer moving closer to the coast. Along with his partner, fashion designer Julie Townend, Mr. Epp, managing partner at Atami Capital, bought a three-bedroom Ibiza Town apartment in 2013 for \$597,000, near Dalt Vila, the city's historic hilltop neighborhood. Their new home is at a new complex, the White Angel Talamanca, set for completion in 2020. He paid just over \$2.4 million for a 2,600-square-foot, three-

bedroom duplex penthouse with its own pool, southern coastline views and concierge service.

Ibiza-born architect Maria Rodriguez-Carreño Villangómez, 48, and her two brothers and widowed mother, are selling the family estate for \$9 million. Their 9,000-square-foot, seven-bedroom home has southern sea views. Her parents, both local pharmacists, bought the property in the 1970s. Her mother now wants to live in a smaller house in the heart of Ibiza Town.

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HOMES ON THE WATER

ANNOTATED ROOM

A Backyard Resort With a Vintage Vibe

A Miami hospitality executive spends \$250,000 to turn a guesthouse into an indoor-outdoor cabana

IT WAS A TRIP to Deià, a village on the Spanish island of Mallorca, that inspired the design of Keith and Evelyn Menin's Miami home.

The nearly 7,000-square-foot home, which they bought in February 2017 for \$6.25 million, sits on one of the Venetian Islands. Af-

ter the purchase, they embarked on an eight-month project that included transforming the outdoor entertaining areas.

Now, an infinity-edge swimming pool overlooks Biscayne Bay, and sand was trucked in to create a private beach between the pool and dock. There is also an outdoor

steam room and sauna, a kitchen and a lounge with a flat-screen TV and fireplace.

A vintage-inspired pool cabana finishes off the resort-style space. Mr. Menin, a principal of Menin Hospitality, an owner and manager of hotels, restaurants and nightlife venues, says he spent about \$250,000 turn-

ing a guesthouse into the indoor-outdoor cabana, which has a full bath, full bar and French white-oak ceiling beams. "It's this really funky cabana bar that everyone hangs out at," Mr. Menin said.

Here is a closer look at the elements of the cabana.

—Leigh Kamping-Carder



CHARLIE GARCIA

1. BAR

A friend of Mr. Menin's wife suggested the retro look for the custom-built wet bar, which has a sink, ice machine, refrigerator and storage. The white-oak bar features antique bronze details and is topped with vintage Carrara marble. The back bar is made of the

same wood, with a smoky antiqued mirror that reflects the water.

Price: \$30,000

2. WALLPAPER

The bold, banana-leaf wallpaper is the same Martinique pattern created for the Beverly Hills Hotel, lending a burst of

old-school glamor to the room.

Price: \$8,800

3. RUG

A thick sisal rug covers some of the white shell-stone flooring, which runs through the cabana, house and backyard.

Price: \$1,350

4. DOORS

Custom-made by WinDoor, the 20-foot-long glass pocket doors slide on hidden tracks into two of the cabana's walls, offering unobstructed views of the pool on one side and the bay on the other. "All you see is water around you and this amazing bar," Mr. Menin says.

Price: \$20,250

5. SEATING

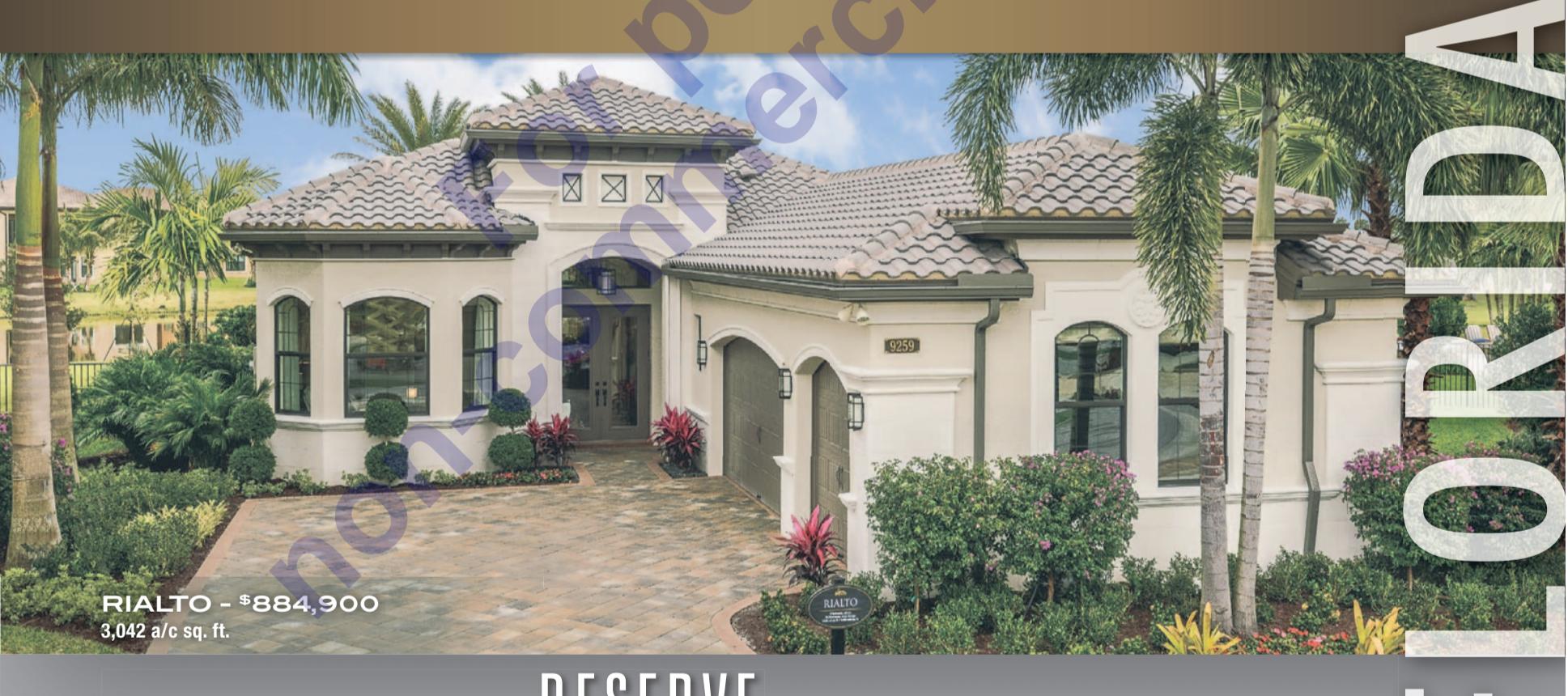
Rattan chairs with matching "poufs" come from the Showroom, a furniture and home-accessories store in Coconut Grove.

Price: chairs, \$540 each; poufs, \$450 each

6. DAYBED

A door next to the bar leads to the second indoor-outdoor lounge dominated by a daybed from Gervasoni, an Italian furniture maker. The custom daybed is upholstered in linen and piled with pillows.

Price: \$9,600



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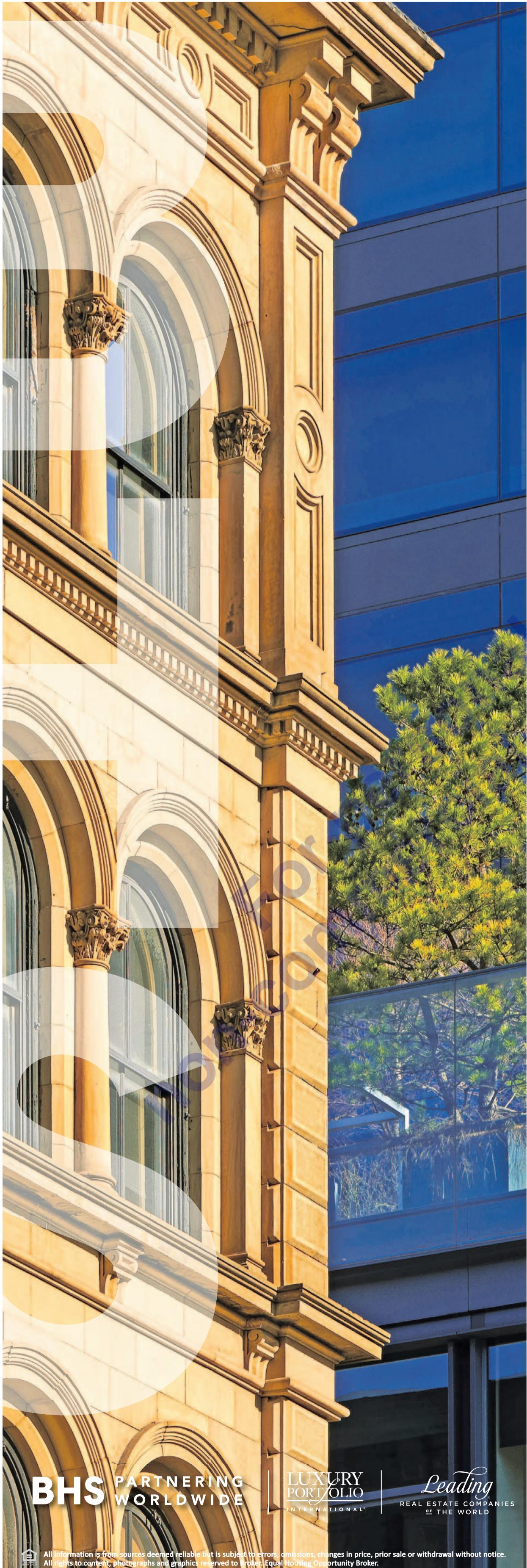
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HOMES ON THE WATER

THE RUSH OF RIVERFRONT LIVING

Continued from page M1

home, Mr. Getchell, 74, adds.

To prevent flooding, Mr. Frederick built the structure 20-feet above the creek. The Getchells are only 5 miles inland from the Atlantic coast—with plenty of dolphin, sea otter and manatee sightings. A long porch runs the length of the 4,000-square-foot home and allows the couple to maximize indoor/outdoor living. “You don’t want to ruin [the view] with a house that doesn’t pay attention,” he says. To catch river breezes, Mr. Frederick created openings on both sides of home.

Waterfront homes tend to be a solid investment. The properties withstand market fluctuations better than neighboring homes away from the water, says Skylar Olsen, senior economist at Zillow who has researched the market for waterfront homes across the U.S. in 2014. “The quality of the access to the water comes with an additional premium,” she says.

Second-home buyers with properties along the meandering rivers of the Texas Hill Country are willing to pay as much as 50% more for water frontage, says agent Mary Ann Rhodes of Phyllis Browning Co. in New Braunfels, Texas. Even waterfront properties in flood-prone areas are in demand. “It’s a lifestyle that people really desire,” says Ms. Rhodes who has worked in the area for more than two decades.

Even in colder climates, riverfront living is in demand. Sachiko Kuno said she spent \$3 million modernizing the vacation home she purchased in 2013 for about \$1 million overlooking Peachblossom Creek in Easton, Md. “It was kind of older and traditional, but there were beautiful views of the river even from the kitchen,” says Dr. Kuno, 62, a biotech entrepreneur. In the winter months, she wanted exposed views without being bothered by inclement weather.

To modernize Dr. Kuno’s home, architect Jim Rill created an in-between conservatory room with glass windows to enjoy the views



CONSERVATORY OBSERVATORY Sachiko Kuno spent \$3 million modernizing the Easton, Md., home she bought in 2013 for about \$1 million. Above and below left, a conservatory room enables Dr. Kuno to enjoy views of Peachblossom Creek in colder weather. Below right, a traditional front facade.



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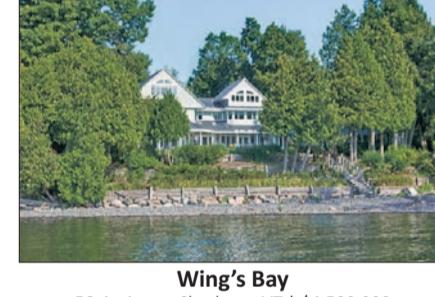


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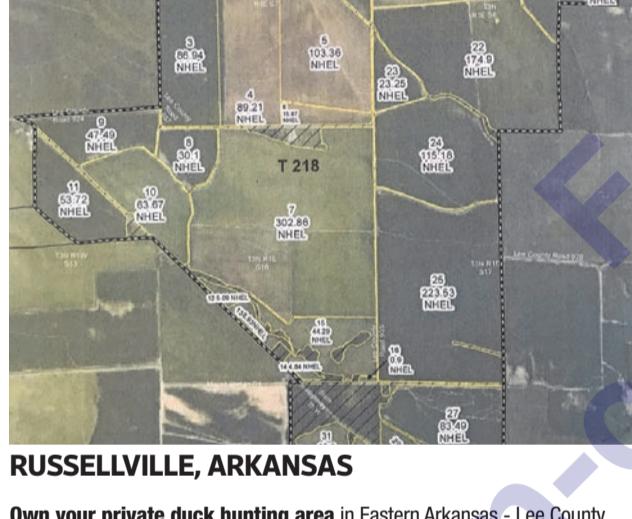
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Beverly Hills Compound Lists for \$85 Million



JOE BRYANT (2); GETTY IMAGES (DEVITO)

A Beverly Hills compound that was once home to actors Danny DeVito and Rhea Perlman is coming on the market for \$85 million.

Mr. DeVito and Ms. Perlman sold the home for about \$28 million in 2015. Its current owners, real-estate developers Stuart and Stephanie Liner, extensively renovated the property for an undisclosed sum, increasing the total square footage across four structures to around 29,000 square feet.

Located at the top of a cul-de-sac near the Los Angeles Country Club, the compound includes a seven-bedroom main house, several guesthouses and an eight-car garage.

The stand-alone entertainment building includes Mr. DeVito's original screening room, a wine room, a lounge and a cigar room. A mechanized wall lifts to separate the screening room from the remainder of the space.

Mr. Liner, 56, said he and his wife tried to think of every imaginable amenity. A private elevator leads from the closet in the master suite to a beauty salon downstairs.



"A person who buys this house is likely to have a lot of staff," Mr. Liner said.

The couple has bought and renovated 21 homes in the Los Angeles area in addition to their day jobs; he works as an attorney, she

as an interior designer.

The original DeVito estate was on about 1.77 acres. The Liners split the lot in two, leaving the current property on about 1.29 acres. They are building an additional property on the other por-

tion of the lot, Mr. Liner said.

Drew Fenton of Hilton & Hyland has the listing.

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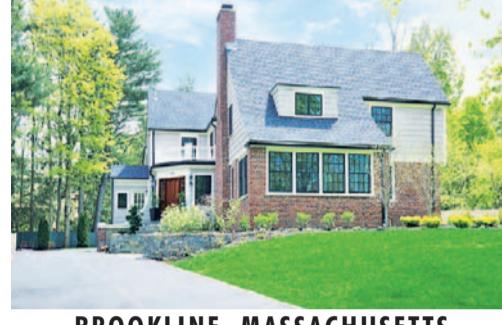
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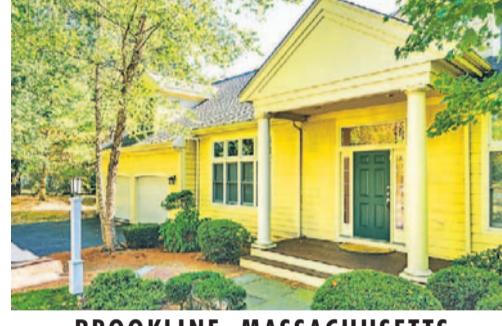
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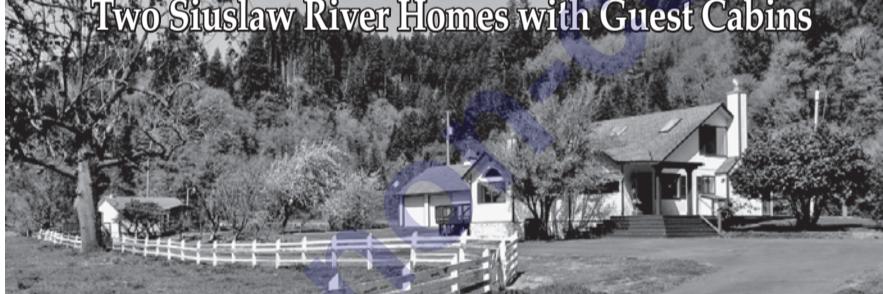
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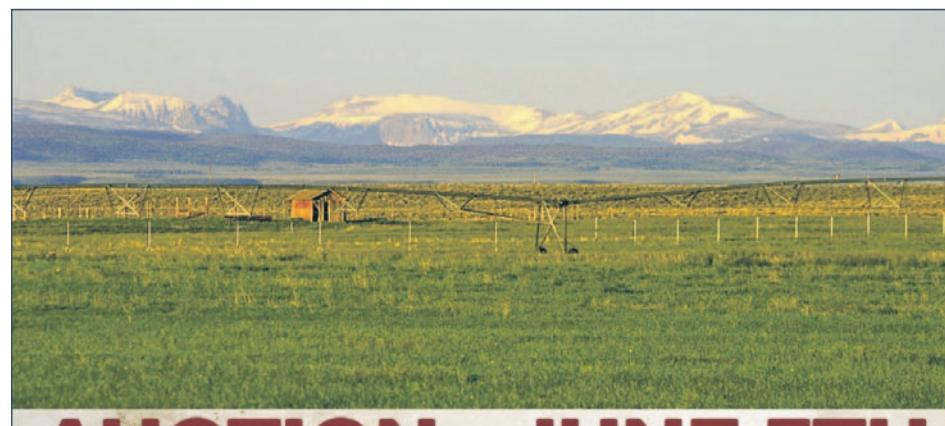
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HOUSE CALL | KEITH HERNANDEZ

Huck Finn Meets Summer of Love

The former baseball player, who grew up near San Francisco in the '60s, became a voracious reader, thanks to his brother

When I was little, my older brother, Gary, was forced to read a book a week in fourth grade. The books he liked he threw on my bed when he was finished with them. This continued throughout my childhood and made me a reader for life.

Books were as important to me as baseball growing up in Pacifica, Calif. An early favorite was "Huckleberry Finn." We had a few things in common.

Pacifica is about 30 minutes south of San Francisco along the coast. Our home was in one of the first tract-housing developments in the area after World War II. It was a small three-bedroom, one-story house that my father, John, beautified. He was a jack of all trades. He bricked the exterior and built a den.

My friends and I were outdoors all the time, scaling the cliffs over the ocean, climbing eucalyptus trees and trying to find the source of the San Pedro Creek. The area was paradise for an adventurous kid.

I also was curious. I spent a lot of time in the school library reading books for older kids. The first one I took out was a history of ancient Egypt. It was dry reading, but I read the entire book.

My father was a San Francisco firefighter. He also was an amateur artist. Art ran deep on his side of the family, which originated in Spain. He painted our portraits.

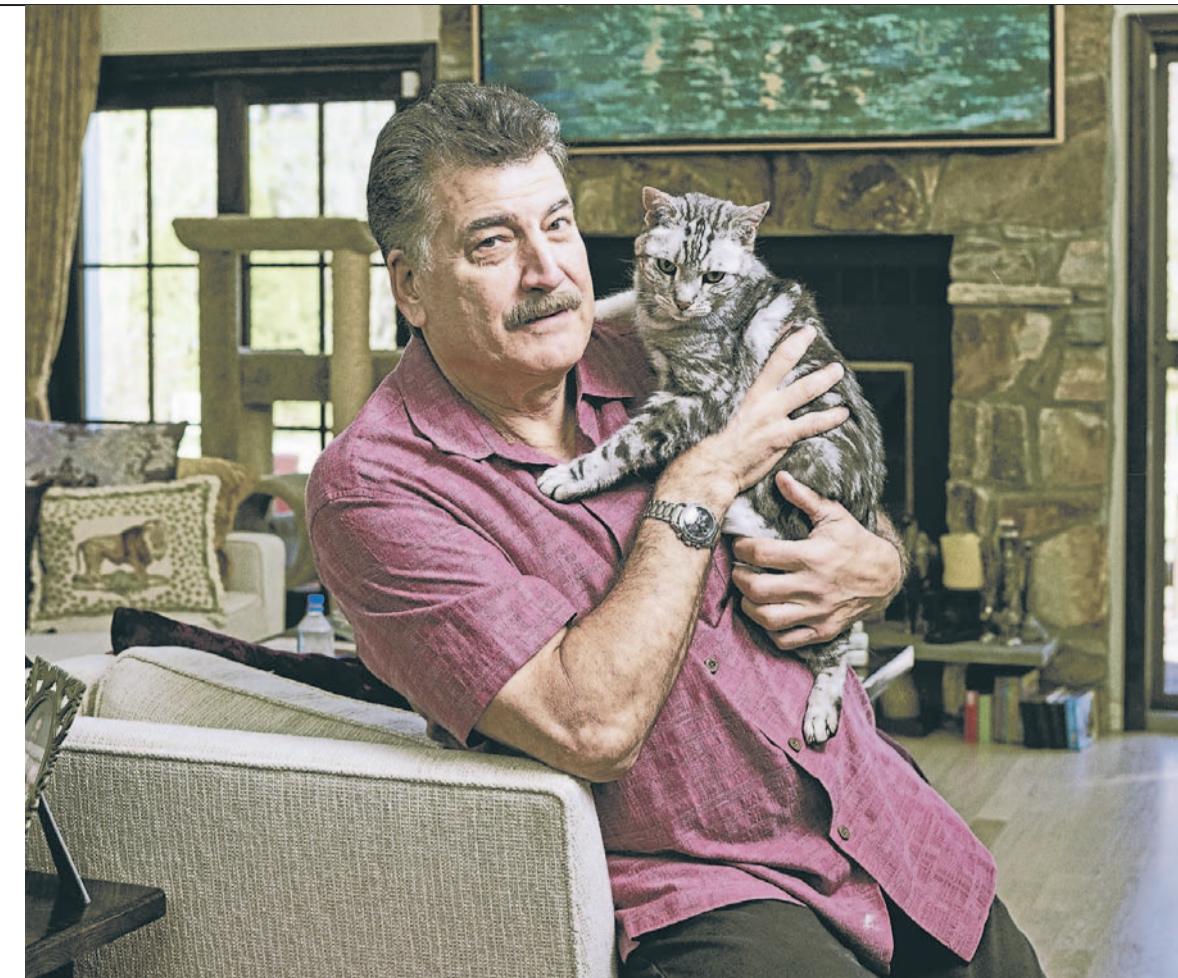
My mom, Jacqueline, was Scots-Irish. They met in 1947 when dad played for the Houston Buffaloes, a



minor league baseball team affiliated with the St. Louis Cardinals.

While my dad ruled like Caesar at home, my mom was much more nurturing and a counterbalance. But she wasn't afraid of breaking out the thin belt if she had to.

Baseball began early for me. When I was 5, my father took two Little League bats and put them on a lathe. He whittled them down and sanded the bats so they were the proper size for my brother and me. He began by throwing tennis balls to us. Eventually, we practiced hitting and fielding at a field near our house. My father was my



TOP CAT Keith Hernandez, above, at home near Southampton, N.Y., with his cat, Hadji. Left, his parents, John and Jacqueline, on their wedding day in Houston's Buffalo Stadium in 1947. His father played for the Buffaloes.

baseball coach in Little League and in the Joe DiMaggio League.

In school, I was a three-sport athlete—baseball, football and basketball. My dad encouraged me to play all three to keep from burning out in one.

In 1969, when I was a sophomore in high school, we moved 15 miles east to Millbrae. Pacifica was isolated and Millbrae was easier for my father to commute to work. He had researched area high schools and felt that Capuchino High School in San Bruno, near Millbrae, had the strongest sports program.

You'd think that living so close to San Francisco in the '60s meant we had an exciting front-row seat to the counterculture. Not quite. Many people romanticize San Francisco's "Summer of Love," Fillmore Auditorium concerts and hippies. In our house, my father had to deal with the city's safety and

realities, including the Hunters Point Riot in 1966. His well-being was at risk in a city that had its share of problems and tension.

Many parents we knew viewed the city as a threat. The region had its share of radical movements and unhinged crazies. There was the Zodiac Killer, the Zebra murders, the Symbionese Liberation Army and campus unrest at UC Berkeley. My dad wouldn't let Gary or me go up to San Francisco to hang out. Gary did manage to sneak up one time to see Santana and Jethro Tull at the Fillmore.

Gary went to UC Berkeley and could have been sucked up by it all if he wasn't so measured. I was compulsive and might have made a few wrong turns if I had been up there. I graduated from high school in 1971 and became a minor league player the following year. I joined the Cardinals in 1974 and was traded to the Mets in 1983.

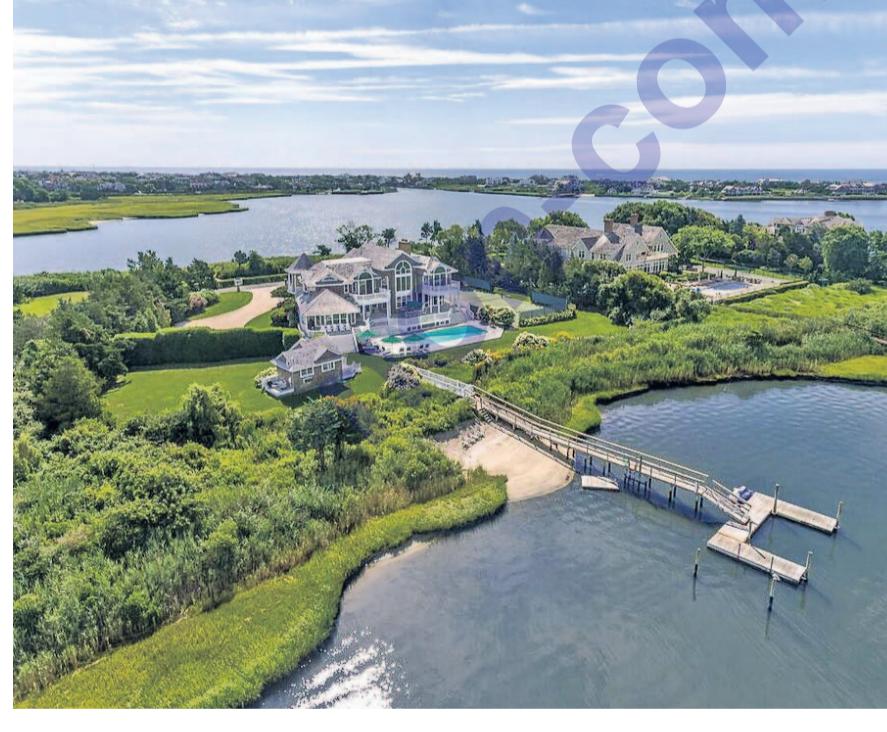
Today, I spend winters in Juno Beach, Fla. I have a three-bedroom condo that looks west over the intercoastal waterway and catches great sunsets. During the baseball season, I live in a modest home on an acre of land near Southampton, N.Y. I still love to read. My favorite authors are John le Carré, John Steinbeck and Victor Hugo.

In New York, I have a photo of my parents on their wedding day in 1947. They're beaming at home plate in Houston's Buffalo Stadium. I love the photo because my dad is smiling. He didn't smile much in his later years.

—As told to Marc Myers

Keith Hernandez, 64, is a former Major League Baseball first baseman who won two World Series titles. He is a Mets TV analyst on SNY, and is the author of the memoir "I'm Keith Hernandez" (Little, Brown).

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