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What's News

Business & Finance

GE is weighing a sale of its lighting unit, the latest move in the conglomerate's pivot away from consumer businesses. **A1**

◆ **The Fed agreed** at its March meeting that it would likely begin shrinking a \$4.5 trillion securities portfolio later this year. **A2**

◆ **Stocks fell** after the release of the Fed minutes, reversing an early surge. The Dow closed down 41.09 points at 20648.15. **B1**

◆ **Panera Bread plans** to be acquired for roughly \$7.16 billion by European investment fund JAB Holding. **B1**

◆ **Theranos founder Holmes** owes her blood-testing firm about \$25 million, according to a deal document. **B1**

◆ **GOP senators introduced** a bill to rein in a government-backed loan program for energy-saving home improvements. **B1**

◆ **Wells Fargo** overhauled its credit-card-processing business after an internal probe found abuses. **B6**

◆ **Private-sector hiring remained strong**, with employers adding more jobs in March than expected. **A2**

◆ **Amazon's Bezos** said in some years he has invested up to \$1 billion in his rocket firm and hopes to start space-tourism flights in 2018. **B3**

◆ **BlackRock named** Cisco's chief as a director, making him the first tech CEO on the money manager's board. **B10**

◆ **Megyn Kelly agreed** on exit terms with Fox News and signed a pact with NBC, her spokeswoman said. **B2**

World-Wide

◆ **Trump condemned** a suspected chemical attack by the Assad regime and signaled it could spur a more aggressive U.S. policy toward Syria. **A1**

◆ **Medical groups said** the victims' symptoms were consistent with exposure to a nerve agent, as the death toll rose to at least 85. **A8**

◆ **Islamic State gunmen** and suicide bombers disguised as police killed at least 35 people in an attack on the Iraqi city of Tikrit. **A9**

◆ **Bannon was removed** from the NSC principals committee and top intelligence officials were restored as permanent members. **A6**

◆ **The White House** is taking the lead in shaping tax legislation, even as divisions have emerged in the GOP about a policy. **A4**

◆ **Homeland Security** head Kelly said he doesn't envision a wall stretching the entire length of the U.S. border with Mexico. **A4**

◆ **Trump's FDA nominee** stressed his belief in drug "safety and efficacy" and said he hopes to expand approval of generics. **A4**

◆ **The ANC leadership** closed ranks around Zuma, seeking to show a united front amid calls for the South African president to quit. **A20**

◆ **The Muslim birthrate** is likely to exceed that of Christians within 20 years, which could make Islam the world's largest religion. **A20**

◆ **The European Parliament** toughened its stance on talks about the U.K.'s exit. **A9**

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CALL TO ACTION: Nikki Haley, U.S. ambassador to the United Nations, shows photos of victims of Tuesday's suspected chemical attack in Syria at Wednesday's emergency meeting of the U.N. Security Council.

Lightbulbs Lose Shine at GE, As Firm Weighs Sale of Unit

By DANA MATTIOLI
AND THOMAS GRYTA

The company that pioneered lightbulbs now wants to turn off the switch.

General Electric Co. is weighing a sale of its consumer-lighting business, which for decades defined the company following its co-founding 125 years ago by Thomas Edison, the inventor of the first viable incandescent lamp.

The Boston-based industrial giant has been interviewing investment banks to sell the unit, which could fetch around \$500 million, according to

people familiar with the matter. There is no guarantee of a deal.

Exiting the business would be the latest sign that this isn't your father's GE. Once associated with refrigerators, microwaves and lightbulbs that it sold to consumers, GE is now focused on power turbines, aircraft engines, healthcare equipment and locomotives, along with lucrative service contracts for those machines.

"I became CEO in 2001. We did pet insurance, media, industrial, plastics. We were a conglomerate," Chief Execu-

tive Jeff Immelt said in a recent interview, noting that putting together disparate business like media, plastics and insurance—all former GE businesses—doesn't really work.

"We've managed to exit things like media. Our job now is to get deeper, not broader," he said.

During Mr. Immelt's tenure, the company has wound down its massive lending arm, which once had more than \$600 billion in assets, and sold off several business units, including its ownership of NBCUniversal.

Please see GE page A6

Apple's Pay Problems

Apple Inc. has made headway with Apple Pay, but growth has missed expectations. Customers worry about security and retailers won't accept it. **B4**



Source: the Nilson Report

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TARGET'S PRICEY SOCIAL LESSON

Retailer's bathroom-policy post sparked backlash, exposing problems it is spending billions to fix

By KHADEEJA SAFDAR

In April last year, Target Corp. published a blog post welcoming transgender employees and shoppers to use restrooms and fitting rooms corresponding with their gender identities. "Everyone deserves to feel like they belong," read the post, which turned half of Target's red bullseye logo into a gay-pride rainbow.

Other retailers have similar policies. But for Target, the posting of what was its long-held practice quickly became an expensive and distracting lesson about the perils of combining the web's megaphone with touchy social issues.

Target Chief Executive Brian Cornell hadn't approved

the April 19 post, which responded to a move by North Carolina to legislate bathroom use, said people familiar with the episode and its aftermath at Target. He didn't see an email notifying executives of the post, and was surprised to learn about it.

The next day, a conservative Christian nonprofit, American Family Association, called for a boycott of Target, saying the policy "is exactly how sexual predators get access to their victims." Protesters picketed stores from Clovis, Calif., to Mount Dora, Fla.

At Target's Minneapolis headquarters, executives scrambled to control the damage, according to the people familiar with the aftermath, perplexed that they were pil-

Please see TARGET page A12

Trump Pivots On Syria After Attack

WASHINGTON—President Donald Trump called a suspected chemical attack by the Assad regime "a terrible affront to humanity" that changed his mind about the Syrian strong-

man, signaling a more aggressive U.S. policy toward Syria.

Mr. Trump didn't elaborate on how his administration would respond to the latest attack, which killed at least 85 people, but said it made him re-evaluate his approach to Syrian President Bashar al-Assad and his regime.

"My attitude toward Syria and Assad has changed very much," he told reporters. Deeper

U.S. involvement or a military response could heighten tension with Russia, a regime ally, and complicate the fight against Islamic State that Mr. Trump has prioritized.

Hours after Mr. Trump spoke, Secretary of State Rex Tillerson urged Russia to abandon its support for Mr. Assad. Last week, he and other administration officials indicated the U.S. expected Mr. Assad would remain in power.

The attack left the Trump administration confronting the same dilemmas former President Barack Obama contended

Please see ASSAD page A8

◆ Death toll in Syria gas attack hits at least 85 A8

◆ Images of victims prompt a shift A8

Global Hot Spots Test New Team

BY CAROL E. LEE
AND FELICIA SCHWARTZ

WASHINGTON—A confluence of crises in Syria and North Korea is forcing President Donald

Trump to re-evaluate his fledgling

foreign policy, deciding which ad-

visers he will listen to and which campaign pledges to jettison.

The apparent chemical-weapons attack in Syria and the latest ballistic missile test by North Korea raise the stakes for two upcoming events: Mr. Trump's summit this week with Chinese President Xi Jinping, a key ally of North Korea, and

Secretary of State Rex Tillerson's planned visit next week to Russia, a patron of the Syrian regime.

The president has signaled in recent days that he is willing to scramble the U.S. approach to North Korea, including by using military force, and he put his stance on Syria in play as well in a news conference on Wednesday.

Mr. Trump thus showed a readiness to shift from positions he held during his presidential campaign, when he entertained the prospect of talks with North Koreans and others. But the crises also will help indicate whether there has been a

Please see TRUMP page A9

INSIDE



CHEAPER WAYS TO FLY TO EUROPE

THE MIDDLE SEAT, A13

PEPSI PULLS AD AFTER BACKLASH

BUSINESS & FINANCE, B3

Oracle #1 SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

#1
Oracle Cloud
14.5%

#2
Salesforce Cloud
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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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U.S. NEWS

The Flawed Case Against Pricing Carbon

This week Scott Pruitt, head of the Environmental Protection Agency, acknowledged that humans do indeed contribute to a warming climate.

Mr. Pruitt's concession to scientific consensus came with a caveat: "The real issue is how much we contribute to it and measuring that with precision." Indeed,

how regulators measure climate impact matters more than agreeing that such an impact exists. This makes President Donald Trump's order last week scrapping official estimates of the "social cost of carbon" especially significant. Without actually disputing the science behind climate change, it drastically raises the bar to acting on it.

Federal rules are supposed to cost the economy and society less than the harm they prevent. But regulators long lacked any benchmark for the costs of greenhouse gas emissions. Courts have ruled they can't assume the costs are zero, so in 2010 Barack Obama's administration, after lengthy study, began estimating the social cost of carbon. It put the future damage, such as from rising sea levels and

crop damage, of emitting one metric ton of carbon dioxide in 2015 at \$42.

Critics argued the Obama administration chose assumptions that inflated that figure. Mr. Trump has instructed agencies to use broad regulatory guidance issued in 2003 that allows much less stringent assumptions. Yet most of the criticism of the initial estimates doesn't stand up.

The most widespread criticism of Mr. Obama's social cost of carbon is that it was derived from complex models that link emissions to atmospheric concentrations to temperature and then to economic damage.

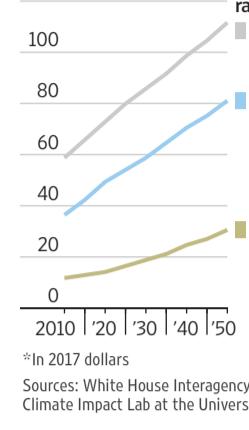
This, they say, yields results so uncertain they can't justify costly and irreversible mitigation measures. Critics also note that actual temperatures seem less responsive to CO₂ than models predicted, which the United Nations-backed Intergovernmental Panel on Climate Change acknowledged in 2014.

But the answer to imperfect models isn't to ignore them but to improve them. Michael Greenstone, a University of Chicago economist who led the Obama administration's effort, says about 150 reputable studies of climate damage have been released since 2009

Measuring the Harm of Climate Change

The social cost of carbon, the harm caused by carbon dioxide emissions, varies according to discount rates and whether domestic or global damages are included.

Global social cost of carbon*



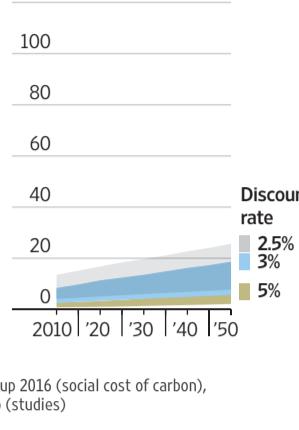
*In 2017 dollars

Sources: White House Interagency Working Group 2016 (social cost of carbon), Climate Impact Lab at the University of Chicago (studies)

and they would appear to justify an even higher cost: "The evidence so far is that the damages are greater than we understood" for example due to heat-related deaths in India.

And uncertainty alone doesn't justify inaction. Military and terrorist attacks are also highly uncertain, yet the U.S. spends more than 3% of national income to prevent them on the theory that spending nothing makes an attack more likely. Moreover, their consequences are asymmetric: peace in the best case scenario, nuclear annihi-

Domestic social cost of carbon*



*In 2017 dollars

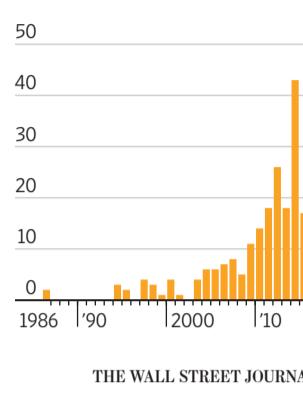
Sources: White House Interagency Working Group 2016 (social cost of carbon), Climate Impact Lab at the University of Chicago (studies)

lation in the worst. The consequences of global warming are similarly uncertain and asymmetric.

Robert Pindyck, an economist at the Massachusetts Institute of Technology, argues climate policy should be geared to preventing extreme scenarios rather than the unreliable base-case projections of models. According to his survey of experts, to eliminate even a small risk of a 20% loss of future global income would require a social cost of carbon equal to \$80 to \$100 per ton.

Another controversy is over

Number of studies of climate change damage



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bonds yielded 2% after inflation; today, just 0.5%.

The most valid criticism of the social cost of carbon is that the Obama administration calculated the harm U.S. emissions cause to the world, departing from the convention of considering only harm to U.S. residents, which would slash the \$42 cost per ton to as little as \$3.

There was a logic to this. The harm that carbon dioxide causes to any country, unlike acid rain or mercury, is the same no matter where on earth it originates.

Yet holding the U.S. to a global benchmark could cause some industries to move to nations with lower standards, leaving emissions unchanged and Americans worse off.

That doesn't sit well with Mr. Trump's "America first" worldview.

If the global cost of carbon is mostly a tool for inducing other countries to cooperate, Mr. Trump could turn this to his advantage. Chinese President Xi Jinping will likely press him this week to abide by emissions limits agreed upon in 2015. Mr. Trump could respond that if China subjects all its decisions to the social cost of carbon, the U.S. will do the same.

First, though, Mr. Trump has to decide he cares.

Storms Sweep Across Parts of the South



WET WEATHER: A crew cleaned up fallen trees in Roswell, Ga., Wednesday. Storms battered parts of Alabama and other Southern states.

U.S. WATCH

ALABAMA

Governor Allegations Sent to Prosecutor

A state ethics panel on Wednesday found probable cause that Alabama Gov. Robert Bentley broke state ethics and campaign finance law in a scandal that has engulfed him for more than a year.

The Alabama Ethics Commission voted to refer the matter to the district attorney's office for possible prosecution.

Mr. Bentley's attorney Bill Athanas said Wednesday that the governor maintains his innocence. "We disagree strongly with the result but I think it is important to keep in mind that it is a finding of probable cause, not finding of a violation," Mr. Athanas said.

—Associated Press

BALTIMORE

Hearing to Proceed On Police Oversight

A federal judge on Wednesday rejected the Justice Department's request to delay a hearing on a proposed agreement with Baltimore aimed at eliminating racially biased police practices, ruling the session will take place Thursday as scheduled.

U.S. District Judge James Bredar said the Justice Department, which cited a recent memo by U.S. Attorney General Jeff Sessions in seeking the delay, didn't show it would be harmed should the hearing take place as planned.

The overhaul plan was reached in the final days of the Obama administration and still needs Judge Bredar's approval.

—Scott Calvert

CALIFORNIA

Lawmaker in Runoff For U.S. House Seat

Jimmy Gomez, a Democratic California legislator, captured the most votes in the nation's first congressional election held since November, according to preliminary results. With 28% of the vote in the special election held Tuesday in Los Angeles, Mr. Gomez is expected to advance to a June 6 runoff.

The race to determine his challenger was still too close to call Wednesday, according to the Associated Press, though Democrat Robert Lee Ahn's campaign declared victory in the race for second place. The special election is to fill the seat held by Xavier Becerra, who was appointed state attorney general.

—Alejandro Lazo

CHICAGO

Mayor Pushes Rule To Graduate: a Plan

Chicago Public School students who want to graduate will have to show proof that they have a plan after high school—such as providing an offer letter for a job or acceptance into college or military service under a plan expected to be approved next month.

The initiative, pitched by former U.S. Education Secretary Arne Duncan and carried by Chicago Mayor Rahm Emanuel, is targeted at encouraging students to plan for life after high school.

"The goal here is to no longer have 12th grade be the end of our responsibility," Mr. Emanuel said in an interview.

—Tawnell D. Hobbs

Hiring Robust in Private Sector

BY JOSHUA JAMERSON

Private-sector hiring this year remained strong as employers reported adding more workers to their payrolls in March than expected, according to a report Wednesday.

Private payrolls across the nation rose by 263,000 last month, said payroll processor Automatic Data Processing Inc. and forecasting firm Moody's Analytics. Economists polled by The Wall Street Journal had expected a gain of 180,000. In February, ADP's report

showed the private sector added 298,000 jobs.

"The gains are broad-based but most notable in the goods producing side of the economy including construction, manufacturing and mining," said Mark Zandi, chief economist of Moody's Analytics.

Goods-producing industries, which include construction and manufacturing, added 82,000 jobs. Service-providing sectors such as hospitality and co-head of the ADP Research Institute.

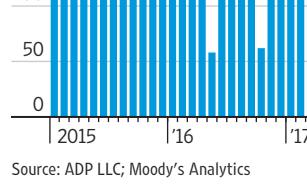
The Labor Department's job report for March is due Friday.

Payroll Boost

Change in nonfarm private-sector payrolls, in thousands of jobs

March

263,000



Source: ADP LLC; Moody's Analytics

CORRECTIONS & AMPLIFICATIONS

In some editions Wednesday, a U.S. News article about efforts to revive the GOP health-care bill incorrectly said Rep. Andy Barr, a Kentucky Republican, is a member of the Freedom Caucus.

—By Nick Timiraos

The capital of Nigeria is Abuja. A Review article Saturday about building farms in Nigeria incorrectly suggested that it was Lagos, the former capital.

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

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U.S. NEWS

Cruise Lines Stay Clear of Death Suits

Deadly riverboat fire revives debate about 1920 law that gives industry immunity

By JOE PALAZZOLO

Christy and Larry Hammer, two retirees from Nebraska, were asleep in their cabin on La Estrella Amazonica, a riverboat built for adventure cruises on the Peruvian Amazon, when a power strip in their cabin caught fire and spread to their luggage and mattress. The smoke eventually killed them.

The riverboat's fire alarm "did not operate at all," and its crew, lacking training and equipment, took over 20 minutes to enter the Hammers' cabin, Peruvian authorities said in an October report, citing a litany of violations of the nation's maritime regulations.

The Hammers' surviving daughters, Jill Malott and Kelly Lankford, have come to believe their parents' deaths could have been prevented, as more information has surfaced since the April 10, 2016 fire.

But because of a 1920 law known as the Death on the High Seas Act, the cruise industry enjoys broad immunity from damages in wrongful-death cases involving retirees and other passengers who have no financial dependents.

International Expeditions, the Alabama-based company that charters the cruise and helped design the riverboat, has told the daughters through its lawyers that it has no financial obligation to the family under the law, according to Ms. Malott and her family's lawyer.

The family's search for accountability has revived a de-

bate about a law enacted decades before the advent of the modern cruise industry, which serviced more than 11 million Americans in 2015, according to industry figures. Travelers aged 60 to 74 account for about a quarter of all North American cruise passengers.

While Congress and states have made it easier for families to recover damages for fatal accidents that happen in the air and on land, the Death on the High Seas Act treats boat passengers the same as it did nearly a century ago.

Congress intended the Death on the High Seas Act to benefit the widows of seamen who died in international or foreign territorial waters. It permitted the widows to recover financial support their husbands would have provided, known as pecuniary damages.

Recoveries under the law end there. Cruise companies have no legal obligation to pay damages for the deaths of passengers who had no financial dependents. That leaves little recourse for families of retirees, children and other cruise passengers who weren't earning wages and providing financial support to anyone at the time of their death.

Courts have held in several cases that the law prevents retirees from suing cruise lines for damages over the deaths of their spouses in accidents aboard ships. Many cases never make it to court. Ms. Malott said several lawyers turned her down, warning that the Death on the High Seas Act would preempt the family's case.

Industry representatives said the law reflects international norms. If Congress amended it to allow greater damages, the U.S. would attract



Larry and Christy Hammer, pictured with daughters Kelly Lankford and Jill Malott, died in a 2016 fire on La Estrella Amazonica.



How Industry Has Kept Change at Bay

After TWA Flight 800 crashed off the coast of New York in 1996, killing 230 people on board, Congress amended the Death on the High Seas Act to allow families of international plane passengers to recover damages for the loss of care, comfort and companionship of loved ones.

But Congress left in place the damages provisions that apply to passengers of sea vessels. That decision came at the urging of the cruise industry, which has spent about \$30 million on Washington lobbyists since 2006. Travel law experts frequently cite the inconsistency in support of amending the law.

"IE remains committed to cooperate with the authorities and shares the family's desire for information as the Peruvian authorities continue their investigation," Mr. Perry said in an emailed statement.

woman for the **Cruise Line International Association**, said Congress hasn't changed the law for the maritime industry partly because it has a superior safety record."

Since 2013, the U.S. Coast Guard has investigated at least 80 deaths on cruise ships, according to records provided to The Wall Street Journal. A majority of the deaths are listed as stemming from pre-existing medical conditions, but others resulted from accidents, disease and asphyxiation. Riverboats are regulated by their native maritime authorities.

Democratic lawmakers have made several attempts to expose the cruise industry to the same damages airlines face, including in 2010 when legislation passed the House of Representatives but stalled in the Senate.

Rep. Doris Matsui, a California Democrat who has previously supported amending the law, is interested in reviving that effort, a spokeswoman said.

—Joe Palazzolo

Conservatives Take Heat in Rhodes Scholars Clash

By DOUGLAS BELKIN

The Rhodes scholarship is one of academia's greatest honors, but many recipients and alumni want to knock its founder off his perch.

They have sought the removal of statues of Cecil Rhodes, the British mining magnate, racial segregationist and champion of imperialism who endowed the scholarships.

Now a conservative group is resisting the push to purge Rhodes. Some of them are turning an internet dis-

cussion group for Rhodes scholars and alumni into a slugfest, with commenters trading accusations of lying, bigotry and racism.

Adding to the tumult is the refusal by the Rhodes Trust, which runs the program, to host Rhodes Scholars for Intellectual Diversity on its website. The trust says it won't host the group because its views aren't being articulated by current Rhodes scholars, though it does host a group of current and former scholars aligned with those critical of Rhodes.

The conservative group "is at best a smoke screen and at worst an outright lie," one alumnus wrote on the list serve viewed by The Wall Street Journal. Others labeled conservative posts on subjects like immigration, feminism and Islam as "vaguely coherent rants" filled with "tripe."

Discussion group founder Dan Lubrich, a 2002 Rhodes scholar, said he was pushing to open dialogue and elevate conservative ideas inside the Rhodes Trust. He pointed toward the greater

number of left-leaning politicians who received the Rhodes, and he said conservative alumni were underrepresented on committees that select recipients.

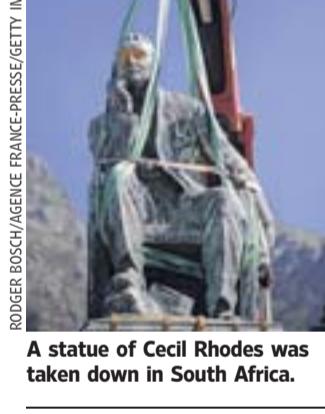
"It's like most of academia, there is this leftward drift which reinforces itself over time," said Mr. Lubrich, a physicist and co-founder and chief technology officer of an Arizona aerospace company.

The dispute among alumni has been simmering for years but was accelerated by the "Rhodes Must Fall" campaign, which successfully lobbied for

the removal of a statue of Rhodes at the University of Cape Town in 2015. A drive to remove a Rhodes statue from Oxford, where the scholarship program is based, failed last year, though the statue and Western-oriented curriculum remain hot topics.

Charles Conn, director of the Rhodes Trust, said he felt the debate was healthy.

"In some sense the Rhodes Must Fall was a useful interlude," he said. "It forced everybody to think about that question, who was Rhodes? What did he stand for?"



A statue of Cecil Rhodes was taken down in South Africa.

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U.S. NEWS

White House Takes Lead on Taxes

No consensus has emerged thus far among the GOP on the legislation's shape

The Trump administration, stung by its failure to advance a health-care overhaul through Congress, is trying to lay a stronger foundation for a tax-code rewrite by taking a lead role in shaping the legislative push, according to interviews with several senior officials.

By Peter Nicholas,
Nick Timiraos
and Richard Rubin

Despite the ramped-up effort, no consensus has emerged yet among senior White House advisers about either the shape of the tax plan or the strategy for building a coalition on Capitol Hill. Administration officials are courting Democrats, but the two parties face wide fissures that could be difficult to close.

Meantime, divisions have emerged within the Republican Party and inside the White House itself, where members of the GOP establishment and Wall Street moderates have been jockeying for primacy against economic nationalists in the new administration.

Much remains unsettled, and the timing is tight. One White House official said that the current August goal for a plan to pass could slip, and that it might be difficult to pass any-

thing after December.

"So we're really going to push aggressively to get something done," the official said.

Last week, President Donald Trump met with Treasury Secretary Steven Mnuchin, National Economic Director Gary Cohn and senior advisers Steve Bannon and Jared Kushner to review the state of play on the administration's tax plan. Meanwhile, the president's legislative advisers met this week with a group of House Democrats on Capitol Hill, sounding them out on ideas and various options under consideration.

If it succeeds, the tax legislation could become a model for the Trump White House. Its failure would mark another major policy setback for Mr. Trump, which would significantly diminish his ability to get any major initiatives through Congress.

The main blueprint for a bill now is a plan pushed by House Speaker Paul Ryan (R., Wis.), but the White House is wary of one of the bill's key components: a border-adjusted tax proposal that would subject imports to a 20% corporate-tax rate while exempting exports from U.S. taxation. Any change on so sweeping a scale needs more widespread backing than has been evident to date, administration officials said.

Revenue-raising alternatives to border adjustment, such as a carbon or consumption tax, are getting nowhere in discussions. Wooing Democrats now



NICHOLAS KAMM/AGENCE FRANCE PRESSE/GETTY IMAGES

President Donald Trump, shown Wednesday at the White House, has said he backs a simpler tax code and lower business rates.

Democrats Seek Tie With Infrastructure

Many Democrats want any tax overhaul to be tied to an ambitious infrastructure package.

But for now, the Trump administration seems committed to keeping them separate, mindful of the difficulty involved in passing either one. That posture could scare off Democrats.

seems part of the playbook—a lesson learned from the healthcare debacle. Administration officials have stepped up outreach in recent days.

"It's harder to come to the table and find a bipartisan solution if tax reform and infrastructure don't move together," said Rep. Josh Gottheimer (D., N.J.), who was part of a group of House Democrats who met this week with Trump aides. "My worry is if you decouple them, you lose the opportunity to make sure they both get done."

Democrats who cooperate with Republicans also risk reprisals from voters back home.

—Peter Nicholas

But some moves that might appeal to Democrats, such as higher taxes on the wealthy, risk losing key GOP support.

Broadly, Mr. Trump wants a

simpler tax code and lower business tax rates to stimulate investment and spur manufacturing. Coupling those moves with a middle-class tax cut, the White House appears ready to pitch the plan in populist terms—a vehicle for job creation and relief for families.

A populist approach, and one that appeals to Democrats, might force Republicans to give up or scale back rate cuts on high-income households, a priority for the GOP. Messrs. Ryan and Trump have both said they want to drop the top rate for individuals from 39.6% to 33%.

Moreover, Republicans are reluctant to cut corporate-tax rates without also lowering rates for partnerships and other businesses that pay income taxes through their owners' individual returns. Many small businesses are taxed this way.

Other questions remain unanswered. One Senate GOP aide said the White House still needs to set a revenue target. Will Mr. Trump look for a revenue-neutral plan that would reshuffle the existing tax burden or seek a tax cut? If he opts for the latter, how big should the cut be?

Mr. Ryan, at a speaking event Wednesday, acknowledged it would take time to reach an agreement. "The House has a plan, but the Senate doesn't quite have one yet, and they're working on one," he said. "The White House hasn't nailed it down. So even the three entities aren't on the same page yet on tax reform."

Mr. Kelly said he was consulting with U.S. Customs and Border Protection officials about where additional fencing along the nearly 2,000-mile border was most needed.

"The president knows I'm looking at every variation on the theme," he said.

Mr. Kelly faced tough questioning from Sen. Kamala Harris (D., Calif.), who pressed him on a policy being considered by Homeland Security that would separate parents and children caught trying to cross the border illegally.

Mr. Kelly said previously that he was weighing the approach to deter families seeking to come to the U.S. from becoming ensnared in human-smuggling networks. But on Wednesday, he said the measure would generally only be undertaken if the child's life was in danger.

Mr. Kelly also faced sharp questioning from Sen. Claire McCaskill (D., Mo.), the top Democrat on the committee, about his agency's plans for tough new vetting procedures.

The Wall Street Journal reported Tuesday that the Trump administration was considering new vetting rules that would ask visa applicants to provide cellphone contacts and social-media passwords, as well as answer questions about ideology. Ms. McCaskill said such procedures would alienate allies and fail to screen out "bad guys."

FDA Pick Talks Up Safety, Generics

BY THOMAS M. BURTON

WASHINGTON—Scott Gottlieb, President Donald Trump's nominee to run the Food and Drug Administration, emphasized in his confirmation hearing his belief "in the gold standard of safety and efficacy" and said he hopes to expand approvals of generic drugs to lower U.S. prices.

Dr. Gottlieb said he sees the need for new laws and FDA regulatory action to get complex-formulation drugs—like those used topically or with inhalers—more quickly approved as generics. While he also said there are ways to speed up some clinical trials, "I think there are ways to modernize clinical studies without sacrificing the gold standard."

His comments appeared aimed at reassuring Democrats, who have been critical of the nomination because of Dr. Gottlieb's extensive financial ties to drugmakers and his prolific, often conservative writings in which he has been critical of FDA regulation, often saying the agency should move faster.

The tension between speed and a focus on safety has been at the center of political debates over the FDA's future. That has especially been the case under the Trump administration, since the president has said the FDA takes too long in approving drugs and medical devices.

Dr. Gottlieb's nomination was being considered Wednesday by the Senate Committee on Health, Education, Labor & Pensions.

Official Doesn't See Wall On Border

BY DAN FROSCH
AND LAURA MECKLER

Homeland Security Secretary John Kelly told lawmakers Wednesday he doesn't envision a wall stretching the entire length of the U.S. border with Mexico and would instead focus on building additional fencing where it was most feasible.

Mr. Kelly's remarks before the Senate Committee on Homeland Security run contrary to one of President Donald Trump's campaign promises, to build a wall along the entire border with Mexico.

The administration is pursuing funding and bids to build a border wall, but the project faces significant challenges. Mr. Kelly's comments reflect the views of many security experts and growing concerns among lawmakers that an end-to-end wall isn't practical or affordable.

Mr. Kelly said he was consulting with U.S. Customs and Border Protection officials about where additional fencing along the nearly 2,000-mile border was most needed.

"The president knows I'm looking at every variation on the theme," he said.

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Dr. Gottlieb's nomination was being considered Wednesday by the Senate Committee on Health, Education, Labor & Pensions.



Sen. John McCain, part of a group that averted a Senate rules change in 2005, said he reluctantly would join the effort to alter rules for confirming Supreme Court nominees.

Senate Braces for 'Nuclear Option' on Rules

BY KRISTINA PETERSON

WASHINGTON—A bipartisan group of 14 U.S. senators in 2005 ended a bruising fight over federal judgeships with a compromise agreement that stopped GOP leaders from changing the chamber's rules for confirming Supreme Court nominees.

Twelve years later, no such group has materialized to pull the Senate back from the brink in the battle over Judge Neil Gorsuch, President Donald Trump's nominee to the Supreme Court.

The country's increasing political polarization in the intervening years has hardened the stances of Senate Democrats, who said this week they had enough votes to mount a filibuster to block a vote on Judge Gorsuch under the current, decades-old rules, and Republicans, who are expected on Thursday to permanently change the chamber's rules to confirm the president's pick.

"The whole environment has dramatically changed," said Sen. John McCain (R., Ariz.), a member of the so-called Gang of 14 that averted a rules change in 2005.

This week, Mr. McCain said he reluctantly would join most, if not all, Republicans in voting to alter the Senate's rules so Supreme Court nominees could be confirmed with a sim-

Donald Trump's First 100 Days

The administration's latest actions and agenda at a glance

WEDNESDAY

◆ **Syria:** President Donald Trump blamed the regime of Syrian President Bashar al-Assad for the suspected chemical-weapons attack on civilians in Syria, which he described as "a terrible affront to humanity" that has changed his view of Syria and its leader. He didn't elaborate on how the administration would respond.

◆ **Mexico wall:** Homeland Security Secretary John Kelly told members of Congress that he doesn't envision a wall stretching the entire length of the U.S. border with Mexico, and would instead focus on building additional fencing where it was most feasible. The statement

ran contrary to one of Mr. Trump's key campaign pledges.

◆ **Security Council:** Mr. Trump's chief strategist, Steve Bannon, has been removed from the National Security Council's principals committee, and top U.S. intelligence officials have been restored as permanent members.

◆ **First daughter:** Ivanka Trump, the president's elder daughter and now an official White House aide, said her role in the administration will entail discussing with her father "the issues I feel strongly about." She defended herself against criticism that she has so far been silent on areas where she and the president disagree.

◆ **Baltimore:** A federal judge rejected the Justice Department's request to delay a court hearing on a proposed agreement with Baltimore aimed at eliminating racially biased police practices, ruling the session will take place Thursday as scheduled.

pe majority, rather than the 60 votes currently needed. One party moving unilaterally to change the rules is so contentious, it is referred to as "the nuclear option." It would leave the minority party without any ability to block nomi-

WHAT'S AHEAD

◆ Mr. Trump said a response to the threat posed by North Korea, which launched a medium-range ballistic missile on Wednesday, will be a central focus of his meeting this week with President Xi Jinping of China.

QUOTES

"If being complicit is wanting to be a force for good and to make a positive impact, then I'm complicit...I don't know what it means to be complicit, but, but, you know, I hope time will prove that I have done a good job."

—Ms. Trump, referring on CBS to a skit on NBC's "Saturday Night Live" that suggested she was "complicit" in the policies advanced by her father's administration

"'Complicit' is our #1 lookup after Ivanka Trump told CBS 'I don't know what it means to be complicit.'"

—Editors at Merriam-Webster Dictionary on Twitter

nees and enable the president to cater to his or her party's ideological extremes if the Senate is controlled by the same party.

Sen. Brian Schatz (D., Hawaii) said: "There's no doubt we are moving into dangerous territory and we're putting ourselves in a position where if you're ever in the minority party, nobody has to talk to you."

Tuesday evening, Sen. Jeff

Merkley (D., Ore.) took to the Senate floor and spoke in protest of Judge Gorsuch's nomination for more than 15 hours until Wednesday morning. During the night, Mr. Merkley railed against a rules change. The effort, though largely symbolic, is the closest approximation to a talking filibuster that can be found in the modern Senate.

Congressional experts said this week's expected Senate showdown reflects a widening gulf on Capitol Hill between the prevailing Republican and Democratic ideologies, as well as fewer centrist lawmakers on either side of the aisle.

Only three members of the Gang of 14 who took action in 2005 are still in Congress, after several lost re-election bids. In addition to Mr. McCain, they are: Sens. Susan Collins of Maine and Lindsey Graham of South Carolina, both Republicans.

"The country is more divided, and it becomes very difficult to be someone who brokers a compromise," Ms. Collins said on Tuesday.

Mr. Schatz of Hawaii said, "This is like a troubled relationship where everybody has a grievance and everybody has a little bit of a reason to be angry, but the question becomes, what do we do next?"

—Natalie Andrews and Byron Tau contributed to this article.



Thank you.

To all who have stood by us as we have worked to make things right at Wells Fargo, we thank you. We know you have many choices when it comes to banking, which is why we feel it's our privilege to serve you.

I became CEO of Wells Fargo six months ago, following our September 2016 retail sales practices settlement. My first act was to apologize to our team, our customers, and the public for our company's mistakes. At that time, I made a commitment to build a better bank, and to earn back your trust.

While there is still work to do, there has been progress that I want to share with you:

- **We've taken many steps to make things right for our customers.** So far, we've refunded approximately \$3.2 million to approximately 130,000 retail and small business accounts. We've also agreed to a preliminary \$110 million class action settlement that will go toward further customer refunds. And to any customer whose credit might have been affected by unauthorized account openings, we commit to you that we will make things right.
- **We've made changes to ensure we always put our customers' needs first.** We eliminated product sales goals and changed how we pay our retail bankers. We've also invested in our people, increasing the pay for our entry-level team members across the country.
- **We've strengthened our ethics and risk management.** This includes creating a new Office of Ethics, Oversight, and Integrity; adding protections so anyone can feel safe reporting their concerns to our Ethics Line; and expanding training for our managers and bankers, so they can better respond.
- **And we've demanded greater accountability from ourselves.** We've changed leadership at our Community Bank and terminated executives linked to inappropriate sales practices. Our Board cancelled all 2016 cash bonuses for eight senior leaders—including myself—who were on the company's Operating Committee prior to November 1, 2016. And we changed our Board structure to separate the roles of Chairman and CEO.

Building a better bank is about fixing what went wrong and committing to find new and better ways to serve our customers. Even as I write this, we continue to introduce new ways to deliver services, develop our people, and manage risks.

All that said, I want to assure you that regaining your trust remains our top priority. In the near term, our Board of Directors will issue the results of their independent investigation. As we process those findings we will continue to update you on our efforts.

Again, thank you for standing by Wells Fargo as we build a better bank.

Sincerely,

A handwritten signature in black ink, appearing to read "TJS".

Timothy J. Sloan
Chief Executive Officer and President
Wells Fargo & Company

For updates on our rebuilding efforts, I invite you to visit www.wellsfargo.com/commitment

U.S. NEWS

Bannon Removed From National Security Council

BY CAROL E. LEE
AND ELI STOKOLS

WASHINGTON—President Donald Trump's chief strategist, Steve Bannon, has been removed from the National Security Council's principals committee, and top U.S. intelligence officials have been restored as permanent members, according to a new presidential memorandum.

The decision was made by Mr. Trump's new national security adviser, Lt. Gen. H.R. McMaster, with the president's signoff, a senior administration official said.

The memorandum, reviewed by The Wall Street Journal, makes the director of the Central Intelligence Agency a permanent member of the prin-

pals committee and restores the chairman of the U.S. military's Joint Chiefs of Staff and the director of national intelligence as permanent members after they were initially downgraded from that status.

Also joining the principals committee are Secretary of Energy Rick Perry and United Nations Ambassador Nikki Haley.

Mr. Bannon said in a statement:

"Susan Rice operationalized the NSC during the last administration. I was put on to ensure that it was de-operationa

lized. General McMaster has re-

turned the NSC to its proper function."

Ms. Rice was former Presi-

dent Barack Obama's national

security adviser.

Wednesday's change means

Mr. Bannon is no longer part of the National Security Council. He is still permitted to attend meetings but won't automatically be invited to each one.

Although Mr. Bannon and White House officials explained the move as a natural evolution of the council under Gen. McMaster, others within the West Wing said it reflects the shifting power dynamics still coursing through the White House.

Two people with knowledge of internal jockeying said the bond Mr. Bannon once shared with Jared Kushner, Mr. Trump's son-in-law and senior adviser, has frayed in recent weeks. Mr. Kushner has increasingly aligned himself with economic advisers Gary Cohn and Dina Powell—known as "the



Steve Bannon, above, is President Donald Trump's chief strategist.

JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

Goldman Sachs wing"—whose more moderate, globalist views have come into conflict with the economic nationalism espoused by Mr. Bannon, one person said.

A Bannon loyalist said there have been disagreements, but played down the notion of a power struggle. "I think these arguments are going to probably

increase as they get into economic policy, but it doesn't rise to the level of a rivalry or animosity," this person said.

Republicans and Democrats had questioned whether Mr. Bannon would have politicized the White House's national-security decisions. Mr. Bannon has attended one meeting of the principals committee, the senior administration official said.

"Today's reorganization of the NSC is a welcome, if belated, first step—but it's just a first step," said Ned Price, a council spokesman during the Obama administration. "The removal of Steve Bannon is as overdue as the addition of leading military and intelligence advisers."

—Michael C. Bender contributed to this article.

GE

Continued from Page One
GE also has left its headquarters in Fairfield, Conn., for new offices it is building in downtown Boston.

The lighting unit GE is considering selling is now a small and shrinking business that consists of residential LED lighting and connected-home technology in North America. GE would hold on to a separate business, called Current, that provides commercial LED lighting, the people said.

The company's lighting business, including the commercial portion, had about \$2.2 billion in revenue last year, or less than 2% of GE's total. The consumer unit has been based at a manufacturing complex called Nela Park in East Cleveland, Ohio, for more than a century.

While the potential proceeds are a drop in the bucket for GE, which has a market value of more than \$250 billion, the consumer businesses were once core to the company.

Less than year after he took the helm, Mr. Immelt walled off the lighting and appliances business into a new unit, then



GE, co-founded by lightbulb inventor Thomas Edison, is weighing a sale of its consumer-lighting business.

called GE Consumer Products, that put most of the consumer business under one roof. Even then, in 2002, the shift away from the products that defined the company in the early 20th century was clear: The unit only made up 6% to 7% of GE's revenue.

For decades, GE's home appliances and lightbulbs formed a link between American con-

sumers and one of the country's oldest and largest industrial companies. In 1935, the first Major League Baseball night game was played under GE lights. A GE engineer invented the LED light in 1962.

The company's popular TV ad campaigns promised to "Bring good things to life," but the growth and profitability of the consumer businesses

waned.

Last year, GE sold its appliances business to China's Haier Group for \$5.4 billion. GE gave the Chinese buyer the right to continue to use its brand on stoves, fridges and other appliances for several decades as part of the deal. Thousands of workers and a sprawling factory complex in Lexington, Ky., were trans-

ferred in the deal.

GE sold its plastics division for \$11.6 billion in 2007. In 2013, it handed over its remaining 49% stake in its NBCUniversal joint venture for \$16.7 billion to Comcast Corp.

Several headwinds have hit GE hard in recent years, including the global financial crisis that highlighted the vulnerability of the company's lending business. Since loaning money to consumers in its early days to help them buy appliances, GE Capital had swelled under former CEO Jack Welch and continued to grow with Mr. Immelt to become what was effectively the country's seventh-largest bank.

GE Capital's assets had ballooned to \$661 billion when credit markets seized up in late 2008, stopping issuance of the commercial paper that was the lifeblood of the lending unit. GE turned to the government for a guarantee of its short-term borrowing, leading to years of regulatory oversight.

It also faced struggling oil prices that came after it spent around \$14 billion over several years buying oil-and-gas service companies. Many of those deals were struck when oil prices were closer to \$100 a barrel, not \$50.

The company doubled down last year with an agreement to combine its oil and gas business with Baker Hughes into a separate public company controlled by GE. That deal, pitched by the company as an opportunistic bet on a recovery in the energy sector, is expected to close midyear.

More recently, GE came under pressure from activist investor Trian Fund Management LP to boost its share price and performance. Two weeks ago, GE said it would double its planned annual cost cuts in its industrial operations to \$2 billion over two years after discussions with Trian, which took a \$2.5 billion stake in the company in 2015.

GE isn't the only lightbulb company looking to get out of the business, and many of the potential buyers have been Chinese. Royal Philips NV signed a \$2.8 billion deal to sell most of its lighting components and automotive-lighting unit to a Chinese investor, but last year U.S. regulators blocked the deal. The company eventually decided on a stock-market listing instead.

Last year, Germany's Osram Licht AG agreed to sell its lightbulb and LED-lamp business to China's MLS Co. and two co-investors for around \$440 million.

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WORLD NEWS



Xi Jinping will stay at the Eau Palm Beach Resort and Spa, above, while he is in the U.S. for his meeting with Donald Trump.

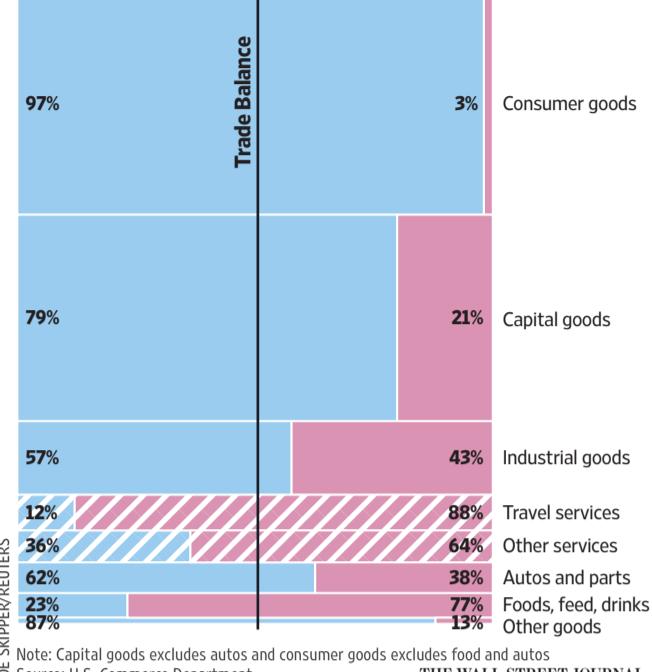
Complex Relationship

U.S. demand for Chinese consumer and capital goods overwhelms exports to China, despite a U.S. edge in agriculture

Trade balance between the U.S. and China, by sector

Height of bar reflects total trade value

■ U.S. imports from China, 2016 ■ U.S. exports to China, 2016
■ Goods ■ Services



Note: Capital goods excludes autos and consumer goods excludes food and autos

Source: U.S. Commerce Department

THE WALL STREET JOURNAL.

Trade Casts Shadow on Trump-Xi Summit

Grand deal is unlikely as contentious issue threatens to dominate presidents' meeting

By WILLIAM MAULDIN

As President Donald Trump and China's President Xi Jinping meet this week for what White House officials are calling an introductory summit, there is one issue where the U.S. leader's position will need no introduction: trade.

Mr. Trump won the White House in part with an angry denunciation of other countries' economic "cheating," using China as Exhibit A. Last week, he predicted a "very dif-

ficult" meeting with Mr. Xi, citing "massive trade deficits and job losses."

Even with North Korea and other Asian security concerns front and center, disagreements over trade between the world's two largest economies may well be the topic that brings the most tension to the gathering at Mr. Trump's Mar-a-Lago club in Florida on Thursday and Friday. White House officials aren't raising expectations for any kind of grand deal.

"At the end of the meeting it's essentially going to be a stalemate—agree to disagree on a lot of things," said Scott Kennedy, a China scholar at the Center for Strategic and International Studies, a think

tank.

The visit will set the tone for a complex relationship, one Mr. Trump aims to redefine by combating what he and his trade advisers see as the dumping of products in the U.S. at below fair value and Beijing's broad policies of subsidizing industries from metals production to aviation at the expense of American competitors.

Some business leaders said they would like Mr. Trump to convey his concerns about China's business climate—including limits on investment and fights over technology and intellectual property—so that the countries can work together over the long term on resolving the issues rather

than merely blocking each other's exports.

"While we don't yet know the strategy of the Trump administration, we do agree with its desire for significant changes to Chinese policies that will result in a more-market-based and level playing field for American companies," said Jeremie Waterman, the China director at the U.S. Chamber of Commerce, the biggest U.S. business lobby.

A senior White House official told reporters on Tuesday that Mr. Trump intends to work in a constructive manner to reduce trade and investment barriers in China. The topics haven't been decided on in advance, so the two leaders are set to bring up whatever is

on their minds, with the aim of starting a framework for addressing disagreements rather than setting policy on tariffs or other areas, the official said.

Progress with China has slowed recently, and the Trump administration wants to make the relationship more "fair, balanced and based on the principle of reciprocity," the official said.

Adding to the uncertainty is the fact that the meeting is happening quite early in Mr. Trump's term. His pick for U.S. trade representative, Robert Lighthizer, hasn't been confirmed by the Senate, and the Trump team hasn't brought key officials on board to develop a detailed strategy for

challenging China's trade practices.

Moreover, members of his trade team hold disparate views on the issue. Some are closer to the traditional free-trade approach while others are pushing a harder line against Beijing to lower the trade deficit in goods with China, which stood at \$347 billion in 2016.

Some diplomats and experts on Beijing said Mr. Xi may seek to further calm the waters by offering to limit certain Chinese exports, announcing deals for Beijing's state-run companies to buy big-ticket American exports, or arranging to make expansive Chinese investments in the U.S.



An Indian army porter carries supplies for troops stationed along the country's disputed border with China.

India Moves Mountains To Build a Road to China

By NIHARIKA MANDHANA

TAME CHUNG CHUNG, India—On the near-vertical slopes of the eastern Himalayas, workers are blasting and cutting treacherous rock faces to build a top-priority military asset: a 34-mile road to the country's disputed border with China.

Far away in the capital New Delhi—a six-day journey by foot, road, rail and air—Prime Minister Narendra Modi's office is monitoring their progress as he doubles down on a billion-dollar infrastructure plan in this contested region to strengthen India's hand against its powerful neighbor.

India is accelerating work on strategic roads to be able to move troops and supplies to the border faster and deploy sophisticated weapons if armed conflict breaks out. China already has extensive infrastructure on its side.

"It's not business as usual," a senior official overseeing the project said. "We have shifted gear."

Beijing claims 35,000 square miles of territory here, almost the entire Indian state of Arunachal Pradesh, and calls it South Tibet. The arrival this week of the Dalai

Lama, Tibetan Buddhism's spiritual leader—who China calls a separatist—has stirred the rivalry.

The precise location of much of the 2,200-mile India-China boundary, a fourth of which lies in this eastern Indian region, is a subject of dispute.

To assert its sovereignty and develop Arunachal Pradesh, the Modi administration awarded \$900 million in

road contracts in 2016-17, a fivefold jump from the two preceding years. A new government company is acquiring land and hiring private builders to complete 400 miles by 2020.

On top of New Delhi's construction list is the 34-mile stretch to Taksing, a strategic border village at 8,000 feet above sea level. Helicopter flights into Taksing are waylaid once in every five trips by unpredictable weather, a key rea-

son military planners want a road.

Fragmented rock and six-month monsoons make construction here hazardous. After blasting a craggy mountainside, worker Taji Nacho watched with trepidation for hours as jagged overhangs threatened to break off and fall. Some days, his team progresses just 4 feet.

"The mountains here are deceptive, one layer after another," said Mr. Nacho, 20, who was recently injured by a shard. "You never know what will kill you."

In November, officials brought 60 trained laborers from a different state. Two months later, the men fled after tribal residents, unhappy about losing jobs, beat and harassed them.

These are some of the reasons India long left this region untouched. Another was fear that installing roads would help the Chinese descend into Indian territory.

India changed tack gradually since the 2000s as China went on a border-building spree. A senior official, pointing on a digital map to Chinese roads and townships, said, "Look, what planning, what execution. We have a long way to catch up."

35,000

The square miles of territory Beijing claims in this contested region

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WORLD NEWS

Syria Gas Death Toll Climbs to at Least 85

Medical experts say symptoms consistent with a poison attack; investigation launched

BY RAJA ABDULRAHIM
AND NOAM RAYDAN

BEIRUT—International medical organizations said the symptoms exhibited by victims of a suspected chemical attack widely blamed on the Syrian regime were consistent with exposure to a nerve agent.

The death toll from Tuesday's airstrike on the opposition-held town of Khan Sheikhoun rose to at least 85 people, all of them civilians, according to doctors and rescue workers. The bombs containing a foul-smelling gas also sickened nearly 600 people who fainted, vomited and foamed at the mouth, they added.

The victims had no external injuries and died quickly of suffocation, indicating it is likely they were exposed to a chemical attack, according to the World Health Organization.

Doctors Without Borders medical team operating in a hospital near the Turkish border examined eight people with constricted pupils, muscle spasms and involuntary defecation, symptoms consistent with exposure to a nerve agent such as sarin gas, according to the medical group.

The medical team also visited other hospitals in northwest Syria treating victims of the attack and reported the smell of bleach, indicating a possible exposure to chlorine—a chemical used in numerous regime attacks in the past.

The U.S. and other countries



Syrians dig a grave to bury the bodies of victims of a suspected chemical attack in Khan Sheikhoun, a rebel-held town in northern Syria. All of the dead were civilians.

condemned President Bashar al-Assad's regime for the attack.

The Syrian army denied Tuesday using any chemical or toxic substances in the town, according to state media, and blamed "terrorist groups and those behind them." The Syrian government routinely refers to most opponents of the regime as terrorists.

In Russia, a crucial ally of Mr. Assad, the military said Wednesday that Syrian aircraft had struck a "terrorist ammunition depot" holding chemical weapons near Khan Sheikhoun. It said "terrorists" were producing chemical munitions at the site.

The Assad regime has been accused of using sarin in past attacks as well. Doctors and res-

cue workers in and near Khan Sheikhoun described symptoms similar to those suffered by the victims of a 2013 sarin attack in the Damascus suburb of Eastern Ghouta, in which 1,429 people died, according to a U.S. government assessment based on local medical reports.

Following the 2013 attack, the Assad government officially

joined the Chemical Weapons Convention and agreed to relinquish its chemical arsenal as part of a deal to avert the threat of U.S. military action.

Since then, however, the government has repeatedly been accused of using chemical weapons, with a U.N.-led investigation blaming it for at least three chlorine gas attacks in 2014 and

2015. The Organization for the Prohibition of Chemical Weapons, which was charged in 2013 with removing and destroying the Syrian regime's chemical-weapons stockpile, said it had launched an investigation into Tuesday's attack.

—Nathan Hodge, Margaret Coker and Maria Abi-Habib contributed to this article.

Images of Attack Prompt a Shift

America's ambassador to the United Nations brandished two grim photos—including a close-up of a shirtless dead child, arms outstretched—when she addressed an emergency session of the Security Council on Wednesday in the

By Laurence Norman,
Felicia Schwartz
and Nathan Hodge

aftermath of a suspected chemical attack in Syria.

"We cannot close our eyes to the picture," said the ambassador, Nikki Haley. "We cannot close our minds to the responsibility to act."

The grisly images taken in the wake of Tuesday's deadly assault were splashed across front pages and television screens, and shared widely on social media. The images spurred sharp outrage that fed calls for a stronger international response to the Syrian conflict.

The U.S. and others blamed the attack, which killed at least 85 people and left hundreds of others ill, on the government of Syrian President Bashar al-Assad.

President Donald Trump said the attack, and the images of "women, small children, and even beautiful little babies" had changed his view of the Syrian conflict and Mr. Assad. "That attack on children yesterday had a big impact on me," Mr. Trump said. "I've been watching it, and seeing it, and it doesn't get any worse than that."

In Washington, Sen. Marco Rubio (R., Fla.) and Sen. Ben Cardin (D., Md.) stood in front of poster-size photos of victims of the attack and urged the Trump administration to take action. Statements from the administration are "not enough," Mr. Rubio said.

"There needs to be a level of outrage, this needs to become a priority," he said.

"Otherwise we have lost our compass as a people and as a nation and more importantly for those who care deeply about our national security."

Diplomats gathered in Brussels for a conference this week aimed at raising funds for Syrian refugees expressed outrage. European Union foreign-policy chief Federica Mogherini said the images from Syria "remind us all that here we have a responsibility to unite" to make peace. "What we've seen yesterday has horrified all of us," she said. "I can say this as a politician, but first of all as a mother."

But some diplomats said they were skeptical the latest violence—and the images of its toll—would be a turning point in a conflict that has killed more than 400,000. The international divisions that have stymied a resolution played out in how the apparent chemical attack was covered by the

media of different nations.

Russia's state-dominated broadcasters gave little airtime to the images of civilian victims of the chemical attack. Russian officials have put forward two narratives in response to the photos and videos of the bodies offered by rescue workers: either casting doubt on their credibility, or suggesting that the victims had been affected by a Syrian government strike against a rebel chemical-weapons facility.

Maria Zakharchova, spokeswoman for the Russian Foreign Affairs Ministry, attacked the White Helmets, a civil-defense organization that operates in parts of rebel-controlled Syria. "All falsified reports on this issue come only from the notorious 'White Helmets' and the odious Syrian Observatory for Human Rights, based in London," she said in a briefing.

Many news agencies in Iran,

an Assad backer where state-owned or semiofficial outlets dominate, avoided reporting on the chemical attack.

Still, graphic pictures of tragedies have sparked public outrage and helped drive policy change in the recent past. In September 2015, the picture of a

lifeless boy facedown on a Turkish beach helped drive the EU response to the migration crisis.

Days later Germany's government signaled it was willing to give asylum to any Syrian refugees who wished to come.

—Farnaz Fassihi contributed to this article.

ASSAD

Continued from Page One with. Before a Syrian chemical attack in 2013, Mr. Obama said the use of chemical weapons would be a "red line," but cut a deal to remove Syria's chemical weapons stockpile rather than launching a military strike.

On Wednesday, Mr. Trump said the attack crossed "many, many lines, beyond a red line."

"It is now my responsibility," said Mr. Trump, who during his campaign faulted his predecessor's handling of the war, including a decision not to launch airstrikes after the 2013 attack—though in tweets at the time he argued against strikes.

The U.S. ambassador to the United Nations, Nikki Haley, also pointed Wednesday to a sharp U.S. response, saying at an emergency meeting of the U.N. Security Council that if the international body fails to respond, the U.S. would be "compelled to take our own actions."

Vice President Mike Pence echoed her statement in a Fox News interview, saying: "We are hopeful that there may well be action in the United Nations Security Council but let me be clear, all options are on the table."

A military response would bring its own complications, given the web of forces fighting in Syria and the involvement of both the Russian and Turkish militaries in the conflict, as well as the U.S.-led campaign to recapture Islamic State's de facto capital in Syria, Raqqa.

Pentagon officials said

Wednesday that they have the ability to quickly strike the Assad regime if asked by the president. "We can strike the Syrian regime if we want to, but that's not the question," said one senior U.S. military official. "The question is what happens after we strike the Syrians?"

The U.S. military has hundreds of forces inside Syria, where they are setting up new bases and working with Syrian rebels fighting Islamic State. A U.S. strike against the Assad regime could trigger a military strike on American forces operating in northern Syria.

"You've got to war game out:

We do something militarily and

'My attitude toward Syria and Assad has changed very much,' Mr. Trump said.

strike something of Assad's, what does he then do?" the military official said. "Maybe I'll lob a few missiles your way, kill a few Americans, then what happens? We obviously won't stand for that."

Russia is providing Mr. Assad with a sophisticated air defense system and Russian jets that would make it difficult for American pilots to enter Syrian airspace to strike the regime. But the U.S. could fire cruise missiles from outside Syria.

Mr. Tillerson will travel to Moscow next week to meet Russia's Foreign Minister Sergei

Lavrov, and he is expected to meet with Russian President Vladimir Putin.

Mr. Trump said on Wednesday he wouldn't reveal what his response to the chemical attack might be. "I'm not saying I'm going to be doing anything, one way or another, but I'm certainly not going to be telling you," he said.

Many diplomats at the U.N. have urged the U.S. to shape a policy toward the Syria conflict that goes beyond just fighting Islamic State. "Frankly we need an America that is seriously committed to a solution in Syria and that puts all its weight behind it," said François Delattre, France's U.N. ambassador.

European diplomats said Wednesday that taking unilateral action would be preferable to taking no action, which would imply it is possible to get away with a chemical attack.

The Syrian army denied Tuesday using any chemical or toxic substances in the town, according to state media, and blamed "terrorist groups and those behind them." The Syrian government routinely refers to most opponents as terrorists.

A draft resolution condemning the use of chemical weapons and calling for Syria's government to fully cooperate with the U.N.'s investigations, penned by the United Kingdom and endorsed by the U.S., was circulated among council members.

A draft reviewed by The Wall Street Journal calls for Syria's regime to provide a U.N. team investigating chemical attacks in Syria with information on flight plans, logs, names of command-

ers of helicopter squads and access to relevant air bases as well as generals or offices associated with the attacks.

Diplomats said the resolution was meant to be written in language that would be acceptable to all council members, including Russia and China. Russia and China have vetoed any council action that would hold Mr. Assad and the regime accountable for at least three incidents where U.N. investigators reported the government used chemical weapons against civilians.

Russia said a new U.N. resolution wouldn't be necessary and that a resolution shouldn't point a finger at the regime, but should ask for an objective and comprehensive investigation on the ground. Russia offered a different resolution, which was unacceptable to the U.S. and its allies, diplomats said.

"Interest in these events is ideologically driven. It's closely interwoven with the anti-Damascus campaign," said Vladimir Safronov, Russia's deputy ambassador to the U.N.

However, Russia didn't say it would veto the resolution and went into closed-door negotiations with the U.S., U.K., France, China and other council diplomats. A vote on the resolution could happen Thursday afternoon or Friday, diplomats said.

At the U.N., Ms. Haley, speaking after Mr. Safronov, said Russia and Iran have demonstrated no real interest in peace. "How many more children have to die before Russia cares?" she said.

—Eli Stokols and Felicia Schwartz contributed to this article.

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WORLD NEWS



The Tikrit attack, the aftermath of which was seen Wednesday, illustrates Islamic State's ability to strike cities from which it has been driven.

ISIS Hits Iraqi City It Lost

An overnight attack by Islamic State gunmen and suicide bombers disguised as police officers killed at least 35 people and wounded 40 others in the Iraqi city of Tikrit, officials said Wednesday.

By Tamer El-Ghobashy
in Erbil, Iraq,
and Ghassan Adnan
in Baghdad

building and securing areas once held by Islamic State.

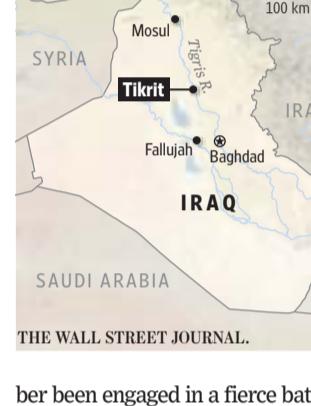
The gunmen were waved through a security checkpoint because they were wearing police uniforms, said provincial council member Mounir Hussein. They headed to the city's crowded Zuhour Street shopping district at about 10 p.m., killing four police officers before turning their weapons on civilians.

At least two Islamic State gunmen exploded suicide belts they were wearing, Mr. Hussein said. Three other militants were killed by responding police.

Islamic State claimed responsibility for the attack.

Its scale indicates the militant group could still maintain cells within cities lost to government forces, and is increasingly falling back on traditional guerrilla-style terror tactics as it adapts to the loss of its power centers.

Iraqi forces have since Octo-



THE WALL STREET JOURNAL.

ment as it continues to win back cities from Islamic State.

Recent attacks on such territory—including suicide bombings in Fallujah since last summer, when it was declared liberated—have raised questions from lawmakers about whether Islamic State is taking advantage of corruption among security officials to breach checkpoints.

Mr. Hussein said the attackers in Tikrit identified a weakness at some checkpoints: police officers waving through anyone wearing a military or police uniform without properly checking their identity.

Iraqi officers do a thorough job checking civilians and should apply the same standards to people in uniform, he added.

"Once they see someone in uniform, they relax and never check," he said. "This is something being used by terrorists to breach security lines."

hopefully it will empower the pragmatic, expert part of the administration," Mr. Burns said.

While Mr. Trump hasn't yet laid out specific policy shifts, the developments this week in Syria and North Korea, and the visit of Mr. Xi to his Florida estate, have narrowed the window of time in which Mr. Trump has to act.

"The response to North Korea, to Xi, to Syria—they're going to be read as having broader significance into the kind of foreign policy that the administration wants to conduct going forward," Mr. Fontaine said.

The administration's most visible point person on Syria has been Nikki Haley.

Mr. Trump has yet to develop a broad policy on Syria, which overlaps with his strategy against Islamic State, his goals for relations with Russia and his efforts to engage the Persian Gulf states, which have long wanted the U.S. to force out Syrian President Bashar al-Assad.

Mr. Trump has filled the top slots in his foreign-policy and national-security team, but many other positions remain empty. Mr. Trump's choice for ambassador to Israel, David Friedman, was recently sworn in, but his pick for ambassador to China hasn't been confirmed.

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United Nations. Ms. Haley said Wednesday the U.S. would act on its own if Russia doesn't cooperate in a response to the chemical weapons attack.

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Susan Thornton, the acting assistant secretary of state for East Asian and Pacific affairs, said the administration wants China to close its financial pipeline to North Korea, because "they are going to have an important part to play in the international effort to do something about North Korea's increasingly provocative moves."

North Korea is "a big problem," Mr. Trump said Wednesday. "We have somebody that is not doing the right thing, and that's going to be my responsibility."

Mr. Trump spoke by phone with Japan's Prime Minister Shinzo Abe on Wednesday and said the U.S. would "continue to strengthen its ability to deter and defend itself and its allies with the full range of its military capabilities," according to the White House.

As a candidate, Mr. Trump promised to take strong action on trade and label Beijing a currency manipulator on his first day in office, but he has since backed off those positions.

Mr. Trump also took a more conciliatory tone toward Mr. Assad and North Korea's leader Kim Jong Un. He said at one point that he would have no problem speaking with him. Mr. Trump said he didn't like Mr. Assad but that he was fighting Islamic State.

Mr. Trump's swiftest policy turnaround has been on the future of Mr. Assad. Just days ago, his administration dropped the longtime U.S. demand that Mr. Assad must relinquish power as part of any political resolution to the conflict. On Wednesday Mr. Trump said the chemical attack had changed his view.

"It's extraordinary to me that they could pivot so quickly," said Aaron David Miller, an expert at the Wilson Center and former adviser to Republican and Democratic secretaries of State. "We've gone from risk aversion to risk readiness in 24 hours."

"This is a brutal experience;



President Trump's foreign-policy positions face a re-evaluation.

GERMANY

Cybersecurity Team Joins Defense Forces

Defense Minister Ursula von der Leyen inaugurated a military department aimed at defending the country against a growing number of cyberattacks.

"The cyber and information space has become a separate domain of security policy, in addition to land, air, sea and outer space," she said at a ceremony on Wednesday.

Germany's armed forces, the Bundeswehr, faced more than 280,000 cyberattacks in January and February, she said in a speech in Bonn. Attacks include espionage, data theft, destruction and manipulation.

The new division, dubbed cyberspace and information command, initially has about 260 staff.

Departments tasked with reconnaissance, communications and geographic information will join the new command in July, expanding its head count to about 13,500.

—Friedrich Geiger

AUSTRALIA

Short List Emerges For 'Planet Nine'

A global hunt for a hidden ninth planet involving thousands of volunteer stargazers has turned up four possibilities for an undiscovered world lurking beyond Pluto.

Australian scientists helping lead the search say they are

searching for a gaseous planet about four times as big as Earth traveling on a vast elliptical orbit taking as long as 20,000 years.

"We think Planet Nine, if it exists, is likely to be found in the Southern Hemisphere," said Australian National University astrophysicist Brad Tucker, who is helping guide the public hunt for the hypothetical planet from the Australian continent.

Theories of an undiscovered planet gained momentum last year when two California Institute of Technology astronomers suggested the existence of a giant planet—dubbed Planet Nine—orbiting in a far-flung region of the solar system known as the Kuiper belt.

—Rob Taylor

EUROPEAN UNION

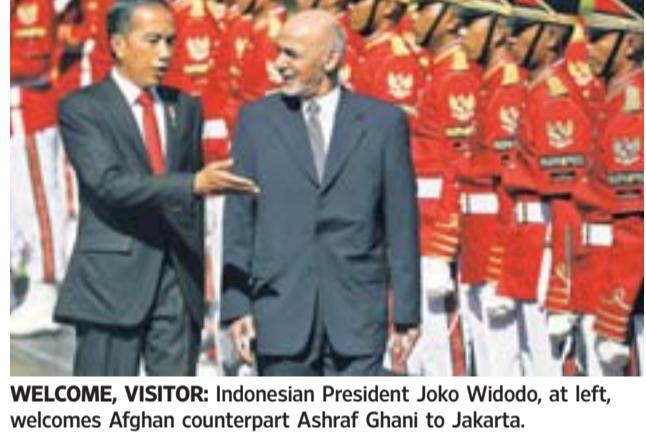
Parliament Toughens Its Stance on Brexit

The European Parliament got harder on coming talks about the U.K.'s divorce from the bloc in an important vote on Brexit.

With the support of 516 of 699 members, the assembly on Wednesday added more demands to the main principles laid out by the bloc's negotiator, Michel Barnier, who is likely to take them into account during the talks.

While the body has no direct say in the negotiations, its vote will be needed to cement the final divorce deal and to approve any transitional agreements and a deal underpinning the U.K.'s future relationship with the bloc.

—Valentina Pop



WELCOME, VISITOR: Indonesian President Joko Widodo, at left, welcomes Afghan counterpart Ashraf Ghani to Jakarta.

TRUMP

Continued from Page One
change in how—and by whom—the administration's foreign policy is developed.

On Wednesday Mr. Trump approved changes that removed adviser Steve Bannon from the operations of the White House National Security Council and restored the roles of traditional U.S. security officials. The administration portrayed the move as long-planned, but others said it was the result of shifting White House dynamics.

"It looks like it's snapping back to the mean of more regular order in the foreign policy-making process," said Richard Fontaine, president of the Center for a New American Security and a former foreign-policy adviser to Sen. John McCain (R., Ariz.). "The question is going to be how does all of this connect with the president and rest of the White House?"

In recent months, Mr. Trump roiled U.S. ties with many allies through Twitter messages and public comments, eclipsing the more sober and cautious statements by senior advisers such as Defense Secretary Jim Mattis, Mr. Tillerson and others.

But the situations in North Korea and Syria require effective, reliable cooperation from key allies, such as Japan and South Korea, or European and Arab nations, said R. Nicholas Burns, a former career diplomat and undersecretary of state during the administration of President George W. Bush.

"This is a brutal experience;

hopefully it will empower the pragmatic, expert part of the administration," Mr. Burns said.

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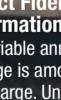
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CHINA DAILY

ALL YOU NEED TO KNOW CHINA WATCH

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COMMENT

Global Challenges Can Only Be Dealt With in Spirit of Cooperation

By HE YAFEI

The two months of Donald Trump's presidency in the United States have produced one surprise after another in its foreign policy, including its China policy. However, worries about a possible deterioration in China-U.S. relations, especially economic ties, have been allayed, for now, because of some positive developments of late.

President Xi Jinping met the visiting U.S. Secretary of State Rex Tillerson on March 18, and said collaboration is the only correct choice for both countries. Tillerson said Trump valued communication with Xi and looked forward to meeting Xi and the opportunity for a visit to China. The U.S. is ready to develop relations with China based on the principle of no conflict, no confrontation, mutual respect and win-win cooperation, Tillerson said.

As Xi said in his speech at the World Economic Forum in Davos in January, this is the best of times and the worst of times, which also applies to China-U.S. relations as they face great opportunities and serious challenges simultaneously.

Admittedly, Trump's China policy is still evolving, but some basic elements have already emerged. First, there is basic appreciation that the U.S. and China need to work with one another rather than confront one another, many of their interests converging, especially in maintaining regional and global peace, and promoting global

What strategic consensus China and the U.S. can reach on such core issues, will to a large extent determine whether they can avoid falling into the Thucydides trap.

economic growth. Second, economic cooperation and trade frictions are likely to increase as the Trump administration focuses its attention on deriving greater economic benefits from bilateral trade and investment. Trump's ambitious plan to improve the U.S.'s infrastructure needs a great deal of capital and other input, creating many opportunities for economic cooperation between China and the U.S., not least because of China's rich experience in infrastructure construction.

Third, the U.S.'s changing attitude on global governance has created uncertainties over how to meet global challenges.

CHINA DAILY

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IN DEPTH

Huh, Coach? I Can't Hear You Over the Propaganda

To prepare for a match in Pyongyang, South Korea's women's soccer team practices while bombarded by North Korean cheers

By EUN-YOUNG JEONG

MOKPO, South Korea—"Let's reunify our homeland, just the Korean people alone!" the crowd boomed in a martial, distinctly North Korean accent as it clapped and cheered in unison.

It was the sort of clamor one might expect to hear during a soccer match at Kim Il Sung Stadium in Pyongyang. But this is Mokpo, a port city on the southern tip of South Korea, more than 200 miles from the North Korean border.

In advance of Friday's qualifying match against North Korea in Pyongyang, Yoon Deok-yeo, the coach of South Korea's women's soccer team, wanted to do something to fortify his players for the task ahead. So naturally, he ordered a facilities crew to install four large outdoor speakers on the field.

As his players practiced against a local boys' high school team, the speakers assaulted their eardrums with a 51-minute-long montage of sounds from matches held in North Korea, some of which were available on YouTube. At roughly 100 decibels, Mr. Yoon's serenade ranked somewhere between a jackhammer and a jetliner taking off.

The boys' team, which had been warned of the propaganda barrage only the day before, shouted at each other in vain as they struggled to communicate, waving their arms and pointing. Before long, their coach gave up trying to signal to them.

"I've heard about the women's team practices, but I didn't know they went through this much of an ordeal," said one of the referees,



Sounds of a North Korean stadium blast out of outdoor speakers while the South Korean women's soccer team practices in Mokpo for a match against the North Korean women's team in Pyongyang.



who summed up her experience as "painful."

During the first few practices, before the grounds crew adjusted the volume to about 75% of the maximum, one assistant coach said he had trouble staying focused, adding that his ears were "numb" throughout the practice session. "I couldn't concentrate at all at the beginning," said Kang Ga-ae, a goalkeeper for

the women's team.

"It was an odd feeling," said Ji So-yun, a star midfielder who also plays professionally for Chelsea in the U.K. "I felt like we were in North Korea."

Women's soccer isn't a popular sport in South Korea and games rarely attract many spectators. In contrast, the Friday match at Kim Il Sung Stadium is expected to draw

more than 40,000 people.

There has even been chatter that North Korea's leader, Kim Jong Un, who has taken a keen interest in the North Korean women's soccer team, may show up. He once received the national team in person at Pyongyang's airport after they beat South Korea to win the 2015 Women's East Asian Cup.

It isn't unusual for soccer coaches to try to prepare players for unfamiliar environments. "When there is a match in a different region, say the Middle East, we also familiarize athletes on the types of cheers and sounds they can expect to hear," said Yun Young-kil, a sports psychologist who works with the South Korean women's team. But, he said, with North Korea, there is a "difference of intensity."

In the past, matches between teams from rival nations such as England and Germany, Mexico and the U.S. and East and West Germany

have featured feral crowds whipped into a frenzy. In 1969, clashes between fans at a World Cup qualifier between Honduras and El Salvador helped spark an *actual* war that lasted for four days.

Korea was divided after the U.S. and Soviet Union each occupied one half of the country after the defeat of Japan in World War II. The rival Korean regimes both claim sovereignty over the entire peninsula, and remain technically at war with each other following the Korean War, which ended with an armistice agreement in 1953.

The North Korean women's soccer team has been the stronger of the two, winning 14 times in head-to-head matches and losing just once to the South Korean team since the South Korean team was established in 1990.

Friday's match in Pyongyang will mark only the second time that a South Korean national soccer team will face off against North Korea north of the demilitarized zone that divides the peninsula.

Mr. Yoon, the coach, was a member of the first team to do that. Mr. Yoon's team lost that game, in 1990, but he's not willing to let history repeat itself. The 1990 trip, he recalls, was "beyond imagination." North Koreans greeted the South Korean team all along the road from the airport to the hotel. The experience of playing before a crowd of about 150,000 at the Rungnado May Day Stadium in Pyongyang—the world's largest stadium by capacity—was initially "overwhelming," he said.

"It was exhilarating," he said. "Something we had

never seen in South Korea."

Mr. Yoon is trying to replicate some of that atmosphere with the loudspeakers, and by relocating training to Mokpo, where the artificial grass is most similar to the pitch inside Kim Il Sung Stadium.

"North Korea is a special situation for the athletes," said Mr. Yun, who teaches at Korea National Sport University. To succeed, Mr. Yun said, players need to approach the match as an "ordinary" game.

That may be easier said than done. Seoul's Ministry of Unification only allowed the team to play after Pyongyang offered written assurances guaranteeing the safety of the South Korean squad. A men's soccer match slated to take place in March between North Korea and Malaysia in Pyongyang was postponed after Malaysia's soccer association requested that the game be moved somewhere safer.

North Korea and Malaysia imposed travel bans on each other's citizens following a diplomatic spat after the killing of Kim Jong Nam, the estranged half brother of North Korean leader Kim Jong Un, at Malaysia's main international airport in February. The match will now take place in June in another country to be decided.

The big question, of course, is whether Mr. Yoon's loudspeaker strategy will help his team focus on the field.

Cho So-hyun, South Korea's captain, who has played several matches against North Korea in third countries, said that at first she was thrown off by the prerecorded cheers—but not anymore. "Now we sing along to some parts of the melody," she said.

gender identities, an Amazon spokesman said.

The American Family Association said it took aim at Target instead of other retailers because Target publicized its stance. The group in the past has called for boycotts of companies such as Procter & Gamble Co. and Hallmark Cards for public support of LGBT causes.

Target executives have said any lost sales from the boycott weren't significant enough to require reporting to investors.

In consumer surveys, most Target shoppers identify as moderate or liberal on social issues. Even some who support the AFA's boycott petition—it has gained roughly 1.5 million signatures—said they still shop there. "I tried not to go there, but it's hard when you like the store," said Mari Arnett, 62, a Colorado Springs, Colo., homeowner. "I just don't care too much for Wal-Mart."

Target's business nonetheless is in a funk. Sales at stores open at least a year have declined for three straight quarters. In February, it issued a gloomy sales outlook.

Target has been squeezed by Amazon, as shopping moves online, and by Wal-Mart, which has remodeled stores and lowered prices. Target's stock has fallen about 25% this year; Wal-Mart's has climbed 4%.

The boycott "seemed to matter, but there are many cross-currents in retail, and Target has other problems," said John Zolidis, a Buckingham Research Group analyst.

Under Target's new procedures, public pronouncements on hot-button issues may not be made without Mr. Cornell's consent. Executives are planning to avoid publicizing their bathroom stance and other controversial public-policy positions.

Earlier this year, a coalition of about 50 companies, including Amazon, Williams-Sonoma Inc. and Gap Inc., signed a document saying their gender-inclusive policies haven't contributed to an increase in sexual assaults or other incidents. Target didn't sign the document. Ms. Jenkins declined to say why not.

North Carolina's lawmakers in late March passed a bill dialing back the bathroom law that triggered the Target blog post. Democratic Gov. Roy Cooper signed it into law. Some LGBT advocates said it doesn't go far enough to prevent discrimination. The NCAA's board of governors said Tuesday it would consider the state as a host for future championships again.

This time, Target has stayed mum.

TARGET

Continued from Page One

loried for a policy common to retailers. Sales started to decline and have now in every quarter since.

After an internal review, executives determined the negative publicity was the tipping point for some stores, especially in the South, that were already not inviting or competitive enough to give shoppers a reason to come back. Target has now embarked on a multi-billion-dollar revamp.

Mr. Cornell, 58 years old, expressed frustration about how the bathroom policy was publicized, and told colleagues he wouldn't have approved the decision to flaunt it, these people said. Target didn't adequately assess the risk, and the ensuing backlash was self-inflicted, he told staff. Now, it was too late to reverse course.

"You can't take it back," said one of these people, adding that Mr. Cornell "felt very stuck."

Many gay-advocacy groups defended Target and dismissed arguments that gender-inclusive policies enable criminals. Some started campaigns urging supporters to shop there. Transgender people "have been going to the bathrooms corresponding to their gender identity for decades," said Jay Wu, a media-relations manager for the National Center for Transgender Equality, "and it's never been an issue."

Mr. Cornell declined to be interviewed for this article. "We strive to make our guests and team members feel accepted, respected and welcomed," Target spokeswoman Dustee Jenkins said. "We know our guests have many different points of

view on this topic and we respect that."

A few weeks after the post, Mr. Cornell defended the policy in a television interview, saying Target had a "long history of embracing diversity." He said Target's bathroom policy was similar to rivals'.

The post came in response to the 2016 North Carolina law, which required transgender people to use bathrooms in government buildings according to the sex on their birth certificates. It also disallowed laws that prohibited businesses from asking for proof of sex before people used facilities.

Many national retailers, including Wal-Mart Stores Inc., let people use bathrooms corresponding with their gender identities. "We value the privacy of our associates and customers," said a Wal-Mart spokesman, "and we strive to make accommodations like family bathrooms in some stores."

Most retailers, though, don't publicize their policies. Chains such as Target have customers with perspectives from across the spectrum. In a February online survey by consulting firm Frank N. Magid Associates of 2,500 people, nearly two-thirds of respondents said businesses should stay out of politics.

Target store workers began asking their bosses to clarify how to apply company policy, said the people familiar with the episode, who gave an account of the internal chain of events that followed.

Headquarters sent an internal memo to store managers reiterating its official stance, these people said. On April 15, a group Target calls its "risk committee" emailed executives informing them of a plan to post that message publicly and requesting approval to do so. Mr. Cornell, said one of the people, wasn't among the recipients of that email.

At least two of Mr. Cornell's lieutenants approved the post, including Target's chief risk officer, Jackie Rice, and its chief external-engagement officer, Laysha Ward. Both executives declined to comment.

The six paragraphs went live on the company blog, reading in part: "Given the specific questions these legislative proposals raised about how we manage our fitting rooms and restrooms, we felt it was important to state our position."

Several media outlets covered the news. People began clogging Target's Facebook, Twitter and Instagram pages and flooded Mr. Cornell's mailbox with messages of discontent. Shoppers protested by filling carts inside Target stores and abandoning them.

Mr. Cornell, who was out of the office addressing vendors the day the post was published, returned to assess the damage. Retracting the statement wasn't an option, he decided—that might have worse consequences than standing by it. Left-leaning areas such as Los Angeles are among Target's fastest-growing



Target lets people use facilities corresponding with gender identity. Posting that policy, without the CEO's approval, sparked backlash.

markets.

Inside the company, executives predicted the backlash would die down. It didn't, and foot traffic in several markets, particularly in the South, declined considerably in the months following the announcement.

A socially conservative group, LifeSiteNews, put up billboards in Oklahoma urging customers to #FlushTarget and drove a truck with that message to stores near Target's headquarters in May. Protesters attended Target's June shareholder meeting to speak out against the policy.

Inside Target, executives analyzing the impact found that conservative families were angriest. Among moderates, white males were most angered—which the chain took as reassuring, given that its core customer is female.

The stores hurt the most were in the South and often located near Wal-Mart locations, they found. Executives realized many stores were physically worn down and weren't competitive on prices of commodity goods.

Revamp plan

Target has since said it plans to invest \$7 billion to improve stores, launch exclusive brands and develop its supply-chain and digital capabilities over the next three years, while sacrificing \$1 billion to cut prices and drive lower-margin digital sales.

It plans to remodel 110 stores this year, one-third of those in the Dallas-Fort Worth area—a market that lost foot traffic after the bathroom pronouncement.

Executives also conducted focus groups to better understand customers in markets that appeared hardest hit by the bathroom issue. Mr. Cornell wanted ways to win back shoppers without agreeing to demands that Target retract its policy.

Bathroom Break?

Target's same-store sales fell each quarter after its April 19 blog post. The retailer, which faced multiple competitive challenges in the period, says the post's impact wasn't material.



Source: FactSet

THE WALL STREET JOURNAL

GREATER NEW YORK

Alleged Pension Scheme Detailed

Manager of state fund manipulated trade process, took bribes, internal probe says

BY JUSTIN BAER

A former New York state pension manager "eliminated documents and manipulated procedures" to hide a pay-to-play scheme that unfolded inside one of the nation's largest retirement systems, according to an internal review by the state comptroller's office.

The review, released Wednesday, is the state's first comprehensive account of events that preceded Navnoor Kang's indictment in December on federal charges that he allegedly steered trading business to certain brokers in exchange for bribes.

Mr. Kang has pleaded not guilty and his attorney had no comment Wednesday.

Federal prosecutors alleged that two brokers who received business from Mr. Kang rewarded him with expensive gifts, cocaine and prostitutes. The Securities and Exchange Commission filed a civil lawsuit that made similar allegations.

Comptroller Thomas DiNapoli on Wednesday outlined a series of red flags missed by

pension officials before Mr. Kang was hired and during his tenure at the New York State Common Retirement Fund, as well as actions Mr. Kang allegedly took to evade scrutiny. The comptroller accused Mr. Kang of sidestepping rules requiring a minimum number of broker bids on each trade and for being slow to adopt new guidelines as the fund became a more active bond trader.

Mr. DiNapoli said the fund is now taking a series of steps to shore up its practices in the wake of the scandal. He has also asked federal authorities to share the proceeds should they win their case.

Several new details emerged as part of Wednesday's report, including the circumstances surrounding Mr. Kang's hiring in 2014 after he had been terminated from his previous employer. Asset manager Guggenheim Partners fired Mr. Kang in early 2013 after he had received concert tickets and other perks from brokerage salespeople, according to the SEC complaint.

The New York state pension fund encountered Mr. Kang after hiring a search firm, Korn Ferry International, to find a new fixed-income portfolio manager. Korn Ferry had been struggling to find qualified candidates when a pension official



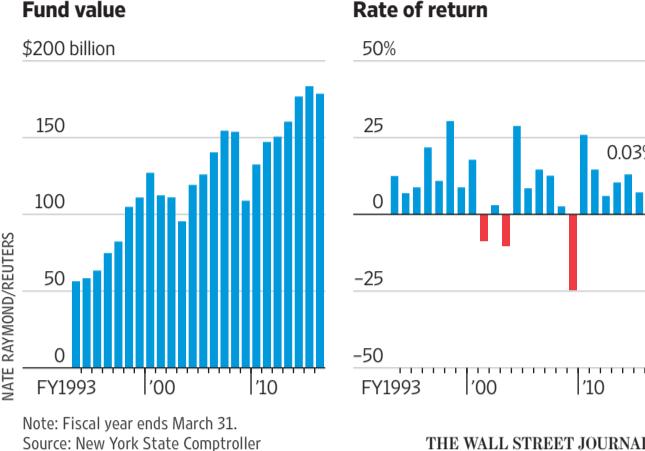
Former state pension manager Navnoor Kang pleaded not guilty.

received an email from a brokerage executive recommending Mr. Kang. Korn Ferry officials, who had previously passed on Mr. Kang's application, agreed to give his résumé a "second look," according to the report. A Korn Ferry spokesman had no immediate comment.

In July 2015, Mr. Kang and the pension's chief-investment officer traveled to California and met with Guggenheim executives, among others, according to the report. The Guggenheim executives greeted Mr. Kang warmly, and a top execu-

A New York Giant

The New York State Common Retirement Fund has become one of the country's largest public retirement systems.

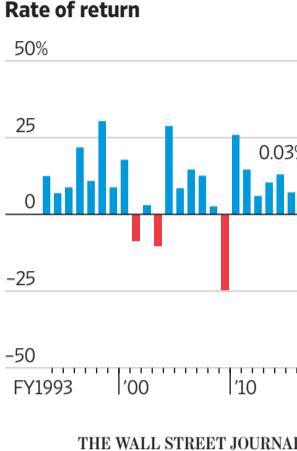


Note: Fiscal year ends March 31.
Source: New York State Comptroller

tive with the firm told the CIO that his firm "may have been too harsh" to Mr. Kang, who had "made a mistake," the report said.

The executive wouldn't expand on what Mr. Kang did wrong and, when confronted by the CIO, Mr. Kang said he had rebuffed the advances of another employee and had lost his job for failing to report a dinner, according to the report.

Guggenheim used that infraction, he told the CIO, to "get rid of him." A Guggenheim spokesman declined to comment.



THE WALL STREET JOURNAL.

Budget Impasse In Albany Continues

BY MIKE VILENSKY

ALBANY—The leader of the New York state Senate said Wednesday night his members are going home, effectively dashing hopes that legislators will pass a state budget this week despite the deadline passing several days ago.

"Are we close? Yes," said Republican John Flanagan, the Senate president. "Close, and yet so far."

The announcement capped a chaotic night at the state capital, with Mr. Flanagan, Gov. Andrew Cuomo and Assembly Speaker Carl Heastie holding separate news conferences.

They partly blamed the other parties and offered conflicting information about an impasse in budget negotiations that shows no signs of letting up.

The state has been operating on a temporary emergency budget since the fiscal year ended April 1.

Mr. Cuomo, a Democrat, typically holds a news conference with the two legislative leaders in the statehouse's regal "Red Room" when a three-way agreement is reached, known as the "kumbaya" moment in Albany parlance.

But at around 7 p.m. Wednesday, Mr. Cuomo called a news conference there by himself, seating aides where the two leaders would normally be placed on either side of him.

In wide-ranging remarks, he said he remained concerned

The state has been operating on a temporary emergency budget since April 1.

about funding cuts from a new Republican federal government to New York. He also said ideological disputes between the Democratic Assembly and Republican Senate on criminal-justice measures, charter schools and a tax break for real-estate developers were to blame for the budget impasse.

"This year is a very different year than any year certainly since I've been governor and arguably a different year in government, in politics, than we've ever seen in this country," he said.

Despite having prided himself on on-time budgets in the past, Mr. Cuomo didn't appear concerned about the stalled spending plan. He even suggested that state lawmakers could continuously pass temporary budget extenders to keep government afloat rather than a new, full budget for the new fiscal year but said his hope was to come to a final budget agreement.

He said he wanted "financial flexibility," seeming to push for the power to make midyear changes to any final budget, a proposal legislators have been cool to.

Legislators aren't being paid under the extender. In a sign of the growing tensions and worsening negotiations, many in both chambers' majority immediately pounced on Mr. Cuomo's remarks.



Ferries plied the Hudson River through the mist on Wednesday. Some commuters are turning to ferries amid the disruptions stemming from Monday's derailment.

Amtrak Under Fire Over Penn Derailments

BY KATE KING

New York-area commuter rail services Wednesday lashed out at Amtrak for its upkeep of rail lines in the northeast corridor, two days after a derailment caused major disruptions to commuters traveling into New York Penn Station.

The derailment Monday was the second at Penn Station in two weeks and led to eight of the 21 tracks inside the station being put out of service because of track and switch damage.

In a letter to Amtrak, Metropolitan Transportation Authority acting Chairman Fernando Ferrer and Interim Executive

Director Veronique "Ronnie" Hakim wrote that the "increasing frequency of these failures leaves the clear impression that Amtrak is not aggressively maintaining its tracks, switches and related equipment at Penn Station."

The MTA operates the Long Island Rail Road, which delivers an estimated 230,000 commuters to Penn Station each day.

NJ Transit Executive Director Steven H. Santoro said he wants a team of experts to "walk every inch of track at Penn Station New York and perform an exhaustive inspection."

"Having two derailments in just over a week is unacceptable," Mr. Santoro said.

Amtrak Chief Executive Charles "Wick" Moorman said the company is investigating and will take prompt action to address the cause of the recent derailments. Amtrak aims to restore regular service to Penn Station by Friday.

"We value our partnership with the commuter railroads and share the frustration these recent issues present to all of our customers," Mr. Moorman said in a statement.

A spokeswoman for the Federal Railroad Administration, which is investigating the derailments, said in a statement that no cause has been identified.

One focus of the investigation into Monday's derailment is whether the rails may have become spaced too far apart, according to a person familiar with the matter.

"That's one of the things we're looking at, the width of the gauge," this person said, adding that it wasn't clear whether a switch or mechanical problem with the train contributed to the wreck. Track maintenance at the station is Amtrak's responsibility.

Mr. Santoro said NJ Transit verified that all of its railcars were up-to-date on required 180-day inspections at the time of the derailment. "We

feel that those railcars were in good shape," he said.

As the commuting nightmare resulting from Monday's train derailment stretched into a third day, lawmakers from New York and New Jersey said the disruption underscored the need for federal funding to jump-start a long-delayed Hudson River Rail project.

Local funding and the necessary permits are in place, but construction can't begin until the federal government agrees to fund half of the project's first phase, estimated to cost \$1.5 billion.

—Andrew Tangel contributed to this article.

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PROPERTY WATCH

MANHATTAN

Housing Inventory Swells—and Shrivels

The supply of apartments on the market is increasing, but the bump is providing little relief for buyers looking for lower-priced studio and one-bedroom pads.

The number of months it would take to sell current listings at the current pace of sales, known as the absorption rate, rose in March to 5.5 months in Manhattan, the highest level in 10 months, according to a report by brokerage Brown Harris Stevens.

But the absorption rates for studios and one-bedroom apartments were far lower—3.8 months for studio condominiums and 2.6 months for studio co-ops, and 4.8 months and 2.6 for one-bedroom condos and co-ops, respectively.

"We are not adding inventory where it is most needed, in studio and one-bedroom apartments," said Gregory Heym, chief economist at Brown Harris Stevens and Halstead Property. "There is frustration with the market now. Inventory is either too tight or too high."

MANHATTAN

West Side Condo Sells Out Quickly

In a sign of improving demand for new condominiums, a 16-unit property on the West Side known as Ivy Park sold out a little over two months after it went on the market, brokers said.

The seven-story limestone-and-glass building, at 952 Columbus Ave. near West 107th Street, is located in a gentrifying section of the West Side known as Manhattan Valley, near blocks of low-rise buildings. It was priced at an average of about \$1,350 a square foot, less than comparable apartments closer to Broadway.

Evan Shaffer, a broker at Douglas Elliman who marketed the building, said it attracted immediate interest when the units were listed in early December, and asking prices were raised twice, after starting at \$895,000.

The last unit, a \$1,795 million three-bedroom, was listed in contract on Feb. 20, according to real-estate listing site Streeteasy.com.

—Josh Barbanel

BY JOSH BARBANEL

IT WAS ONLY a matter of time before the farm-to-table movement merged with the Brooklyn condominium boom.

On a large south-facing terrace on the eighth floor of 550 Vanderbilt Ave., an 18-story brick and concrete building near the Barclays Center in downtown Brooklyn, crews are erecting three large metal boxes and filling them with soil suitable for high-altitude farming.

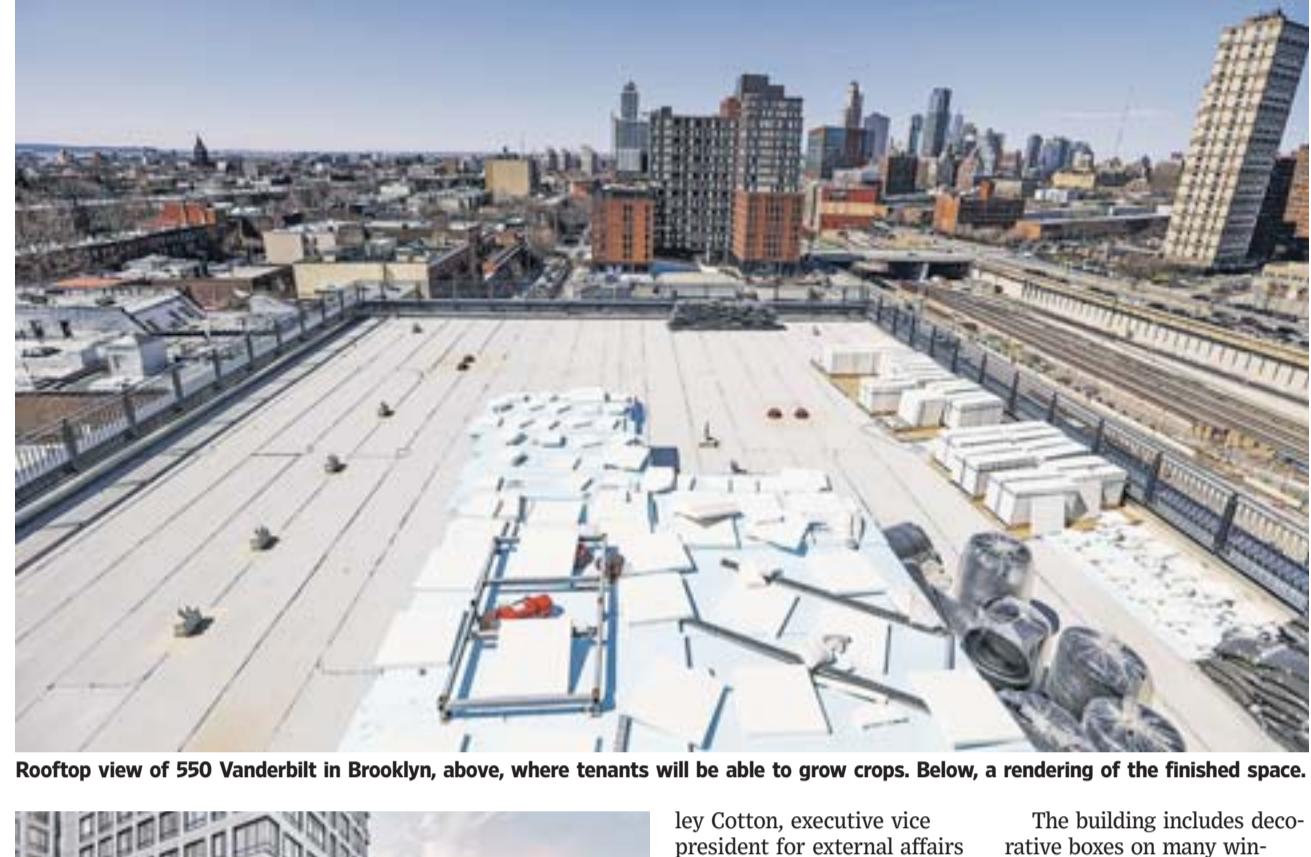
Condo owners will be able to sign up for a small plot to grow their own vegetables there, alongside Ian Rothman, a farmer and co-owner of Olmsted, a trendy farm-to-table restaurant a few blocks away.

Mr. Rothman has been promised a large subdivision of the plots, and is planning an initial crop of hot peppers for the restaurant's homemade aji dulce sauce served with oysters. The restaurant is named for Frederick Law Olmsted, the landscape architect who designed the nearby Prospect Park.

"We plan to develop a substantial amount of our space to peppers," Mr. Rothman said. It will augment the restaurant's modest rear yard, where he grows garlic, radishes, herbs and edible flowers.

Farm-to-condo is an extension of the flowering urban farming movement that has produced crops on the grounds of public-housing developments and on the sprawling rooftops of commercial buildings in the city.

Last year a 5,000-square-foot farm opened in a courtyard between two rental buildings at Urby, a development near the waterfront in Stapleton on Staten Island. That farm is tended by a resident farmer, who receives a salary and a free apartment to tend the fields.



By contrast, 550 Vanderbilt is providing a terrace for do-it-yourself farmers who can afford condos priced at an average of \$1,500 a square foot, with one-bedroom units starting at \$890,000 and two-bedrooms at \$1,495 million. The building is being developed by a joint venture between Green-

land USA, a subsidiary of Shanghai-based Greenland Group Co., and Forest City Ratner Cos., a subsidiary of Forest City Realty Trust Inc.

Condo owners will be able to sign up each season for plots of at least 7 feet by 10 feet in the 1,600-square-foot farm, enough to harvest a significant edible crop, said Ash-

ley Cotton, executive vice president for external affairs at Forest City Ratner Cos. The largest farm bed will be about 39 feet by 21 feet and will be divided by plank walkways.

Mr. Rothman founded a boutique farm in Massachusetts and then raised herbs, vegetables and edible flowers in a subterranean garden beneath Atera, a Tribeca tasting-menu restaurant that charges \$275 per person, not including beverages.

The idea for the 550 Vanderbilt Ave. vegetable garden came from COOKFOX Architects, which designed the building. The firm follows a principle it calls "biophilic design," or the creation of spaces that promote human well being by enhancing the connection between people and nature, said architect Brandon Specketer, who worked on the building.

The building includes decorative boxes on many windows that will be filled with native plants and flowers. Greenery will spill over the top of the raw concrete entrance to the building. The building also will include piped-in fresh air, and a skylight and glass walls on stairs to encourage walking, and natural materials such as marble and wide-plank oak floors.

The condos at 550 Vanderbilt are part of the 22-acre \$4.9 billion Pacific Park development anchored by the Barclays Center. It eventually will include 14 residential buildings with 6,430 apartments, many like 550 Vanderbilt connected by a park open to the public.

The condos went on the market in mid-2015, and about 60% of the apartments have been sold, Ms. Cotton said, including seven in the month since the building opened.

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✓ Yes ✓ Yes ✓ Yes
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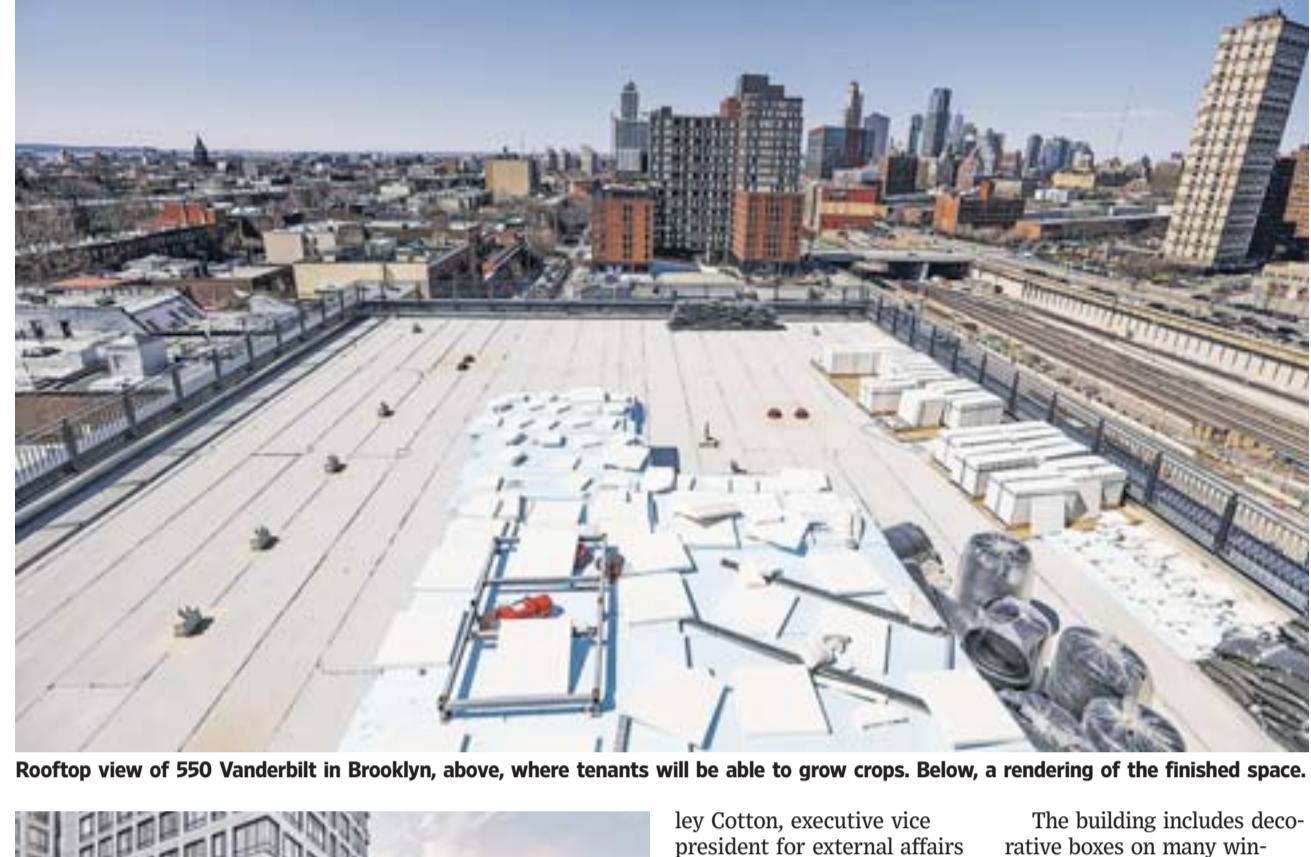
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GREATER NEW YORK

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At a Vanderbilt Avenue building, owners will sign up for rooftop plots and harvest edible crops



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Mayor Challenged on Left

BY MARA GAY

Robert Gangi is hoping to complicate things for New York City Mayor Bill de Blasio's seemingly wide open path to re-election in November.

Mr. Gangi, a longtime police-reform advocate, is waging a long-shot bid to unseat Mr. de Blasio in the Sept. 12 Democratic primary, hoping to outflank the mayor on the liberal issues that propelled him into office nearly four years ago.

Though he only has raised about \$46,000 and has little name recognition, Mr. Gangi

could test Mr. de Blasio's reserve of support in his black and Latino base. His fierce criticism of policing tactics embraced by Mr. de Blasio and his predecessors could draw support from liberal New Yorkers unsatisfied with the mayor's record on policing, and cast scrutiny on Mr. de Blasio's 2013 campaign promises to improve policing in minority communities.

"De Blasio has failed to follow through on his progressive agenda, on his progressive politics," Mr. Gangi said at a Manhattan news conference

Wednesday. "We think that Bill de Blasio is vulnerable."

Mr. Gangi, the 73-year-old former director of the Police Reform Organizing Project, is most critical of Mr. de Blasio's support for broken windows—a policing tactic that focuses enforcement on lower-level crimes in an effort to prevent more serious ones that many say unfairly targets minorities.

A de Blasio campaign spokesman said the mayor had expanded the city's prekindergarten programs, raised wages, and has a plan to build thousands of affordable-housing units.

State Test Scores Won't Be Used To Rate Teachers

BY LESLIE BRODY

The Connecticut State Board of Education voted Wednesday to ditch plans to use students' state test scores in end-of-year teacher ratings.

The decision was a victory for teachers' unions, which have long argued that students' results on standardized state exams are unreliable measures of teacher quality. Critics of the change said the vote marked a lost opportunity to add objective data to evaluations.

The board's vote means progress on the state tests can still be used to set goals for teachers and shape professional development, but can't be used in calculations for their annual formal ratings. Six board members voted for the change, two voted against it, and one abstained.

The Connecticut Education Association applauded the move, saying the action puts the focus "back where it belongs: On teaching, learning, and student achievement."

Opponents said the step watered down reviews.

"This was a political decision and when politics dominate education policy-making, our kids do not come first," said Jennifer Alexander, chief executive of Connecticut Coalition for Achievement Now. "If we continue to fold in front of political pressure, we will never fully prepare students for a successful future."



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LIFE & ARTS



THE MIDDLE SEAT | Scott McCartney

The Back-Door Way To Fly to Europe

Airlines like Norwegian and WOW are taking the Southwest blueprint across the Atlantic, with lower-cost flights from lesser-known airports

THERE'S A SURGE of new ways to fly to Europe inexpensively this summer for travelers savvy enough to pick through schedules and find new airlines they've never heard of flying from new cities that hardly dreamed of having trans-Atlantic service.

New Orleans hasn't had European flights for decades, but this summer will add nonstops to London and Frankfurt. Pittsburgh, adding Frankfurt and Reykjavik to its seasonal service to Paris, will have more nonstop flights across the Atlantic this summer than to the West Coast.

Pittsburgh ticket prices will be cheaper to Europe than to California, too. For a July 13-20 trip from Pittsburgh, WOW offers \$320 coach tickets to Reykjavik. (Like many discount airlines, fees will hit hard: A carry-on bag is \$40 extra. Advance seat assignment in the back is \$9.) Compare that to the United Airlines nonstop to San Francisco on the same dates for \$579. "It's a buyer's market this summer," says Christina Cassotis, the airport's chief executive.

This trans-Atlantic push is happening because new discount airlines are taking advantage of new freedom from restrictive treaties in international travel and new small- and medium-size airplanes that can make long trips at low costs. Their strategy: Copy some of the Southwest Airlines blue-



print and fly to secondary cities, creating demand with low fares.

Some of the flights are downright mind-bending: Stewart Airport near Newburgh, N.Y., averages just seven flights a day to five U.S. cities. But come summer it will have nonstop **Norwegian Air Shuttle** flights to five airports in Europe, including Bergen, Norway, gateway to the fjords. Providence, R.I., will get a similar Norwegian schedule.

Norwegian started selling tick-

ets with \$65 one-way fares including taxes. Those have long since sold out. But the prices available this week for July trips are still startling—roughly half what big airlines offer for summer trips to Europe. A July 13-21 trip from Stewart, 60 miles north of New York City, to Bergen was priced at \$390 round-trip including taxes.

"It's been way too expensive to fly across the Atlantic, way too expensive," says Bjorn Kjos, founder and CEO of Norwegian Air Shuttle. "If airlines can lower the cost they will ramp up the volume."

Other new flights present new opportunities to reach even the major European cities without the traditional routes of going to big hubs on big planes. Edelweiss, the leisure subsidiary of Swiss International, will fly twice a week between Zurich and San Diego starting in June.

Norwegian will start flights in June from Barcelona to Los Angeles, Newark, N.J., Fort Lauderdale, Fla., and Oakland, Calif. It will fly more this summer between London and both Los Angeles and Oakland, as well as its Paris flights to New York and L.A.

In all, consultant Craig Jenks counts a net 30 new trans-Atlantic flights this summer, mostly on European airlines. Last summer saw 24 new flights, many of which are

continuing. "I think you can probably make a case that some of this is not going to last. But why not take it while it's on offer?" says Mr. Jenks, president of Airline/Aircraft Projects in New York.

To find the new flights, pay attention to billboards: The airports with new service usually pay to market the new service. Book direct or use a broad search engine like Kayak, Google Flights, Skyscanner or Momondo that will pick up discount airlines that may not list flights in central travel agency computers. Be flexible with your dates. Some of these new flights won't run daily.

Airlines say many of their new flights are seeing more bookings from the U.S. side than from Europe. And European inbound travel to the U.S. could take a hit from possible new Trump administration rules on "extreme vetting" of visitors. So far, airlines say summer bookings are strong.

Bigger European rivals are taking the discount invasion seriously, creating their own low-cost subsidiaries to try to fight back. The upstarts believe what's really happening is the second phase of the world-wide discount airline evolution: Southwest, JetBlue, Ryanair, EasyJet and other low-cost carriers rearranged how we travel on short trips. Now there's a similar strategy on long routes.

Just like the original discounters, long-haul startups say small airports have lower costs, and many offer incentives such as dollars to market new service in the U.S. and Europe.

Norwegian says one key to its strategy is new, fuel-efficient airplanes that have the range to make

long trips. Norwegian's main weapon across the Atlantic is the Boeing 787 Dreamliner. This summer it will launch Boeing's latest version of the 737, called the 737 MAX, on small-city flights.

Norwegian will be the first airline to take delivery of the 737 MAX, probably in June. It will have 189 seats, making for tight quarters on long trips.

Some of Norwegian's new routes are already attracting a competitive response, opening up a plethora of seats for travelers. The cheapest way to London this summer could be going through smaller cities like New Orleans, Fort Lauderdale or Oakland.

British Airways is launching flights from London to all three cities, longtime favorites of Southwest, four times a week. Norwegian has already been flying from London to Oakland and Fort Lauderdale. Norwegian will start flying this summer between Barcelona and Los Angeles, Newark, Oakland and Fort Lauderdale. BA parent company IAG announced plans to launch a new low-cost unit this summer flying between Barcelona and both Oakland and Los Angeles.

From New Orleans, a July 12-19 trip to London priced at \$983 on British Airways site this week. A trip from Houston to London on the same dates cost \$1,586.

"These passengers that are traveling for the first time across the pond in either direction, I'm convinced they will want to come back. They will have good experiences and that will generate more stable, permanent demand," says British Airways chief executive Alex Cruz.

READING

NEW BOOKS CELEBRATE BEING ALONE



BY ELLEN GAMERMAN

A WAVE OF NEW BOOKS offers a common message: It's time to go it alone, whether finding strength in self-imposed exile, surviving at sea without a soul in sight or fixing a marriage without help from a spouse.

The new titles are responding to the live-out-loud era of social media, where anyone with a device always has some form of company. A result of this obsessive interacting, the books argue, is diminished self-knowledge, compromised inner resources and an inability to spend meaningful time with oneself.

"You could call it crowd sickness," said Michael Harris, author of "Solitude: In Pursuit of a Singular Life in a Crowded World," which hit shelves this week. "It's the sense of being overwhelmed by one's thousands of contacts and the desire that people occasionally have to just run away from it all and go into the woods."

The moment would appeal to any hermit—and there's a new bestselling book about one of those, too. "The

Stranger in the Woods: The Extraordinary Story of the Last True Hermit," by Michael Finkel, is a biography of a man who lived alone in the forest for 27 years. It seems fitting that such books arrive in the year marking the 200th birthday of Henry David Thoreau, author of the ultimate loner's guide, "Walden," a classic just reissued by publisher Gibbs Smith.

In 2012, nonfiction hits like Susan Cain's "Quiet: The Power of Introverts in a World That Can't Stop Talking" and Cheryl Strayed's "Wild: From Lost to Found on the Pacific Crest Trail" put value on retreating inward. "There's more urgency to that need to escape now," said Chris Schlueter, senior editor of the team that curates Amazon's book recommendations. "I think a counterpart to all these solitude books are the books about technology. They're two sides of the same coin."

Retreating from the everyday bustle appears as a therapy in "The Nature Fix: Why Nature Makes Us Happier, Healthier, and More Creative," a non-fiction work by Florence Williams pub-

Please see **ALONE** page A14



Discount airlines like WOW, above, and Norwegian Air, below, are offering low prices to European destinations like Iceland, left, and Barcelona, bottom left.



CLOCKWISE FROM TOP LEFT: GETTY IMAGES; ASSOCIATED PRESS; BLOOMBERG NEWS; ZUMA PRESS

LIFE & ARTS

ALONE

Continued from page A13
lished in February that explores nature's restorative benefits to the brain. "Lead Yourself First: Inspiring Leadership Through Solitude," a defense of alone time by Raymond M. Kethledge and Michael S. Erwin that comes out in June, argues that solitude enhances clarity, creativity, emotional balance and moral courage. Joe Moran's "Shrinking Violets: The Secret Life of Shyness," which came out in the U.S. in February, is a cultural history of that human trait.

Taking a psychological twist on solitude and self-reliance: "It Takes One to Tango: How I Rescued My Marriage with (Almost) No Help from My Spouse—and How You Can, Too," by marriage and family therapist Winifred M. Reilly. The book, published this week, argues that unhappy spouses can fix their relationships alone. "A therapist tells you that you can't really be the one who changes a marriage by yourself, but why not?" Ms. Reilly said. "Why not be the one working harder? In the work world we call that being a leader."

Solitude is terrifying and awe-inspiring in "Alone: Lost Overboard in the Indian Ocean," which comes out in hardcover in the U.S. this fall. It describes the near-death ordeal of 54-year-old co-author Brett Archibald, who was swept off a charter boat in a storm four years ago. In an interview, Mr. Archibald described the vessel leaving him in the darkness: "I've read the Oxford Dictionary from front to back to try to find one word in the English language to describe the horror of that moment," he said. In the book, he describes taking control over his panicking mind as he bobbed in the ocean, slowing his racing heart through breathing, figuring his position by looking at the stars, spending time in imagined conversations with childhood friends. He was rescued after 28 hours.

When Mr. Archibald returned to Cape Town, South Africa, he reevaluated his life. "It's not easy for us to

step back and think about what's important for us, for us to have that aloneness," he said. "I find it so sad that at the age of 50 I only learned this."

Today, collaboration is a cultural buzzword. In "Solitude," Mr. Harris describes Nobel prize-winning physicist Peter Higgs observing that his revolutionary work would not be possible today because the peace and quiet of the 1960s research world is gone.

Mr. Harris opens his book with Dr. Edith Bone, a woman accused of spying for Britain who was held in solitary confinement in a Hungarian prison for seven years until her release in 1956. Tormented, plunged at times into total darkness, she disappeared into her rich interior world. In her mind, she toured every city she had ever visited, walking for so long that she wore a groove into the concrete by her bed.

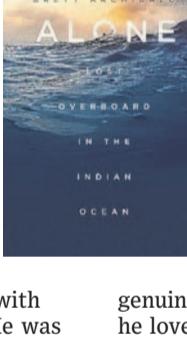
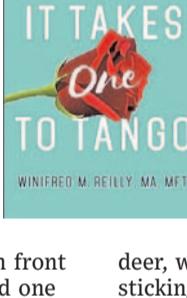
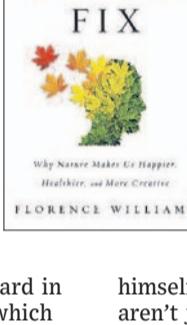
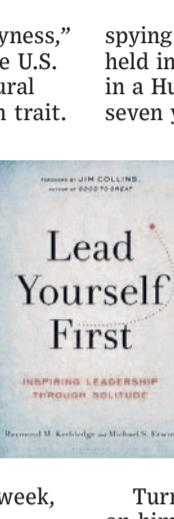
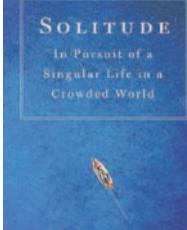
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Soon he is staring at animals. He waves hello to a deer, which he describes sticking its tongue out at him by way of reply. On his last night, he is talking to the dead grandfather he never knew, telling him about his life.

When he makes it back to civilization, he holds up the line at a gift shop because he can't stop talking to the clerk who just sold him a magazine. He enjoys the feeling of

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LIFE & ARTS



A street mural, left, by Os Gêmeos, twin brothers, who sell work on canvases for over \$100,000 at galleries globally. A building in downtown São Paulo, right, covered with graffiti called pixo.



PATRICIA MONTERO FOR THE WALL STREET JOURNAL

STREET ART

A War on Graffiti in Brazil

A new mayor cracks down on São Paulo's distinctive pixo; Preparations are underway for the Street Art Museum

BY SAMANTHA PEARSON



A mural by Os Gêmeos on São Paulo's May 23 Avenue. The city recently painted over large swathes of graffiti on the avenue with gray paint.

São Paulo
DJAN IVSON has been prosecuted seven times for vandalism. It's becoming an occupational hazard. The 33-year-old is Brazil's most vocal practitioner and defender of "pichação," known as "pixo," a distinctive form of calligraphic graffiti that covers everything from skyscrapers to burnt-out cars here in South America's biggest city.

"We've always been demonized by the authorities, but now we're public enemy number one," he says, sitting on the curb of a street in downtown São Paulo.

Since taking office in January, the city's multimillionaire mayor, João Doria, has declared war on the angular cryptic lettering of pixo (pronounced "pea-shoe") in one of the biggest crackdowns on graffiti in São Paulo since the end of the country's dictatorship in 1985.

Mr. Doria, who hosted Brazil's version of "The Apprentice" TV show and bankrolled much of his own campaign, drawing comparisons to U.S. President Donald Trump, introduced a new anti-pixo law late February in an attempt to eradicate the practice. Offenders can now be fined up to 20,000 Brazilian reais (\$6,430).

He has also vowed to clamp down on more figurative graffiti, confining it to a "Street Art Museum" that is expected to be ready in June. The museum will consist of a series of walls across the city where selected artists, sponsored by private companies, will be allowed to paint.

"We are not against urban art, but it is also in need of restraint," said Mr. Doria in an interview.

When graffiti is authorized or commissioned by the owner of the space it is considered a mural, such as the vast kaleidoscopic images created by Eduardo Kobra, one of Brazil's most famous muralists.

Pixo, however, is almost always illegal and generally considered vandalism. Distinctive to São Paulo, it consists of jagged signatures typically painted in thick black lines, reminiscent of the tar or "piche" originally used.

It was inspired by the lettering of 1980s heavy metal al-

bum covers and bears a resemblance to the ancient Runic alphabet. In 2009, Paris's Fondation Cartier showcased a series of work by Brazil's "pichadores," as its practitioners are known.

Mayor Doria's tough policies, from cracking down on bureaucracy to shrinking the city's bloated government, have won favor in this chaotic megalopolis of more than 12 million people. But when city workers in January painted over swathes of colorful graffiti in gray on São Paulo's main May 23 Avenue, considered Latin America's biggest open-air mural, protesters blocked part of the avenue. A judge issued an injunction preventing City Hall from painting over any more graffiti without the consent of the department for cultural heritage. Mr. Doria got the ruling overturned 10 days later.

Known for being ugly,

gray and polluted, São Paulo has long prided itself on its rich street art—itself a form of visual protest against the city's austere Brutalist concrete architecture. Inspired by the U.S. hip-hop scene, Brazil's graffiti artists began developing their own style in the mid-1980s, taking advantage of the freedom afforded by the end of military rule in the country.

Relatively lax law enforcement allowed the scene to flourish. High crime rates also prompted residents to erect towering walls around their properties, turning the city into an endless canvas for graffiti.

Brazil's most famous duo Os Gêmeos, identical twin brothers who are known for their dreamlike paintings of yellow-skinned characters,

now sell work on canvases for over \$100,000 at galleries around the world.

"Many artists have felt under attack during this period," said Fabio Ribeiro, nicknamed Binho Ribeiro, another of Brazil's most well-known graffiti artists, as he rushed to finish a mural in the bohemian neighborhood of Vila Madalena before taking part in a recent exhibition in Miami.

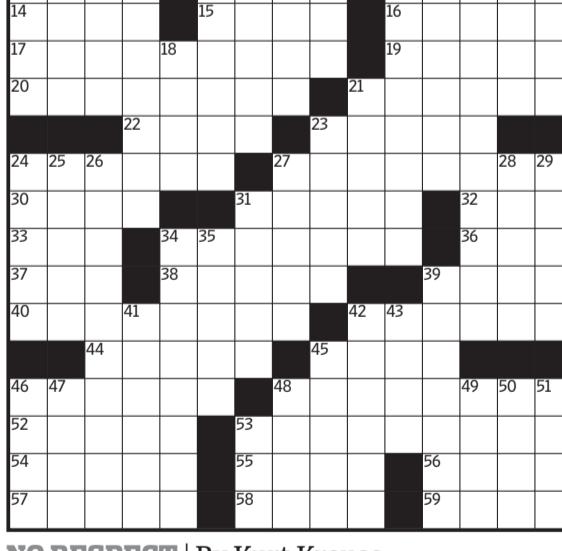
He was still seething over the loss of his 6-foot painting of a turtle, one of the images removed on May 23 Avenue. While Mr. Doria says his team only covered up paintings that were already 'vandalized' with pixo, Mr. Ribeiro says his was in perfect condition.

The dispute over the legitimacy of São Paulo's graffiti has resurfaced at a particularly tense moment in Brazil. The country's worst recession on record has widened the already stark gap between São Paulo's haves and have-nots, while Brazil's biggest-ever corruption scandal has sparked a fierce debate about the balance between private and public interests.

As scores of Brazil's politicians stand accused of stealing public money from state-controlled oil company Petrobras for private gain, practitioners of illegal graffiti in São Paulo—be it pixo or paintings in unauthorized locations—view their work as a way to reclaim public space in a city that they believe has also been appropriated by private interests.

"Doria is giving pichadores a total boost," Mr. Ivson says as he watches with delight as friends spray their signatures onto a wall two blocks from City Hall. "If you tell a pichador that he's not allowed to paint somewhere, that's music to his ears."

The WSJ Daily Crossword | Edited by Mike Shenk



NO RESPECT | By Kurt Krauss

- Across**
- 1 Ides honoree
 - 5 Flu symptom
 - 9 Warned of
 - 14 Lion in the "Madagascar" movies
 - 15 Chief
 - 16 2016's "The Red Turtle," e.g.
 - 17 What a jealous baron might do?
 - 19 Frankincense, e.g.
 - 20 Qualifies
 - 21 Doesn't keep a straight face
 - 22 No-win situations?
 - 23 Trumpet for Triton
 - 24 Like the Amazon, of all rivers
 - 27 Fit perfectly
 - 30 Cherokee Strip Conference Center setting
 - 31 Weighty works
 - 32 Character from Aristophanes?
 - 33 Zebra's kin
 - 34 What an outspoken teetotaler might do?
 - 36 Flying the rainbow flag, perhaps
 - 37 Tom and Jerry component
 - 38 Kaffiyeh sporters
 - 39 Org. with a leaping bunny logo
 - 40 Place of refinement
 - 42 Choice bit
 - 44 Capability
 - 45 Cowboys quarterback Tony
 - 46 Away from home?
 - 48 It takes its toll
 - 52 Prolonged attack
 - 53 What a beauty pageant loser might do?
 - 54 Biplane piece
 - 55 "Not to mention..."
- Down**
- 1 Makeup of many Qing dynasty carvings
 - 2 Lena of "Chocolat"
 - 3 Brooks Brothers buy
 - 4 Fired up
 - 5 Charm
 - 6 Walkers' cousins
 - 7 Box score figure
 - 8 Dash lengths
 - 9 Lack of ornamentation
 - 10 Like Wilde's "Salomé"
 - 11 What an angry babysitter might do?
 - 12 Vent
 - 13 Lairs for bears
 - 18 Company that trademarked "escalator"
 - 21 Curiosity on Mars, e.g.
 - 23 Results of some traumas
 - 24 Models, say
 - 25 Briefly
 - 26 What an overworked Senate page might do?
 - 27 House-elf freed by Harry Potter
 - 28 Prince song "___ U"
 - 29 Stalwart
 - 31 Nicholas II and his predecessors
 - 34 Collections of computer records
 - 35 Worth of the theater
 - 39 Braces
 - 41 Play group?
 - 42 Mitt Romney, e.g.
 - 43 Dodge model of the 1980s
 - 45 Costner's "Tin Cup" co-star
 - 46 ___ buco
 - 47 Congresswoman Lowey from New York
 - 48 Game piece
 - 49 Analogy words
 - 50 Penetrating
 - 51 Spot
 - 53 Judo level

Previous Puzzle's Solution

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

THE MASTERS

How Dustin Johnson Keeps Golf Simple

In age of exhaustive data and analysis, the world No. 1 just aims and swings; fall on Wednesday puts Masters status in limbo

BY BRIAN COSTA

Augusta, Ga.

TAKE A PEEK INSIDE the mind of the world's top-ranked golfer: It is the Tuesday before the Masters last year and Dustin Johnson is playing a practice round at Augusta National Golf Club. His playing partners, Phil Mickelson and Bryson DeChambeau, are deep into a discussion about the science behind why uphill putts and downhill putts break a certain way.

It is highly sophisticated, deeply analytical—and just about the last thing Johnson wants to talk about on a golf course.

"If I hang around you guys much longer," he tells them, "I'll never break 100."

No one will ever refer to Johnson as a "golf scientist," as DeChambeau has branded himself. He will not wax poetic about all the variables he considers before choosing a club, as Mickelson did recently. He does not mimic the jargon so often used by Tiger Woods, who introduced "deactivated glutes" into the golf lexicon.

At 32 years old, the defending U.S. Open champion and winner of the past three events he has played in, Johnson is unique in his ability to reduce golf to a simple task. "See ball, hit ball," said Claude Harmon III, Johnson's instructor. "He plays the game, as opposed to thinking about what's happening."

Whether Johnson plays this week was suddenly thrown into question Wednesday afternoon after he took what his agent described as "a serious fall on a staircase in his Augusta rental home." The agent, David Winkle, said Johnson landed hard on his lower back and was on medication in the hope of still making his 2:03 p.m. Thursday tee time.

When Johnson was struggling to crack the sport's upper echelon, the same traits that helped make him a Masters favorite were often cited as a shortcoming. A British newspaper once described him as having "a bag of cement for a brain." But Johnson's ascendance has cast his mental approach in a different light. What was once seen as a lack of intelligence or lack of caring now looks more like a virtue.

Mickelson said the most analytically savvy players can give themselves an advantage over their competitors. But if a player isn't in that mold, he said it is better to be the polar opposite. "Anything in



Dustin Johnson, left, hits a shot during a practice round prior to the start of the 2017 Masters.

ANDREW REDINGTON/GETTY IMAGES

of intelligence or lack of caring now looks more like a virtue.

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Mickelson said the most analytically savvy players can give themselves an advantage over their competitors. But if a player isn't in that mold, he said it is better to be the polar opposite. "Anything in

between, you're constantly trying to overthink things and then question it," Mickelson said.

The latter is not an issue for Johnson. He described his thought process before he takes a shot as: Get the yardage distance from the hole, aim and picture the shot. "It's not too much," he said. "I feel like when it's going well, it's that simple. When it's not going well, it gets a little more complicated."

The difference between him and many other players can be seen even before he tees off. On the practice range, many players have embraced the use of TrackMan, a radar monitor that records the launch conditions of every ball hit.

It records more than two dozen data points ranging from the spin rate of the ball to the speed of the club head. Some delve into the analytics more than others. When he missed the cut at the 2015 British Open, Woods said he would need to check his spin rates for clues as to why he was struggling.

Alan Terrell, who coached Johnson at Coastal Carolina University and still works with him informally, said Johnson understands all the numbers but is really only interested in one: total yards carried. "He wants to know how far the ball is flying, and that's about as technical as it gets," Terrell said. "He doesn't have a long attention span."

There were times earlier in Johnson's career when Terrell said he may have benefited from a more nuanced approach before a shot. But the upside of Johnson's mentality has been evident at the majors he nearly won, never more so than after the 2015 U.S. Open.

Johnson had a chance to win or at least force a playoff with Jordan Spieth on the final hole, but three-putted from 12 feet to lose. When Harmon ran into him afterward, he said Johnson told him, "Man, I played so good today. I'm going to win one of these."

One year later, Johnson did. His victory at Oakmont came in spite of the USGA's controversial decision to inform him during his final round that he might or might not be penalized for the slight movement of his ball on a green. The move sparked outrage from around the sport, and Johnson was ultimately docked one stroke, but he seemed unperturbed.

To be sure, Johnson may well possess more intellect than he shares in public. Besides leading the PGA Tour in driving distance, he likely leads the sport in brevity at news conferences.

Golf Channel analyst Brandel Chamblee said there is a cerebral element to Johnson's game. Johnson, Chamblee said, can look at his lie and immediately imagine the shot he needs to hit to fit the hole location, and then tailor his swing accordingly—and quickly.

"That's an athletic genius that is really underrated," Chamblee said.

At the very least, Johnson was smart enough to know where he needed to get better and diligent enough to work at it. The biggest difference-maker has been improvement in his wedge play, which has helped him take better advantage of his power off the tee. When hitting from the fairway inside 125 yards, Johnson has left his approach shots this season an average of just inside 16 feet from the hole, more than two feet closer than he left such shots two years ago. But he mostly leaves the number-crunching to others.

"The less he thinks, the better," Harmon said.

HEARD ON THE FIELD



U.S. Women's Team Reaches a Pay Deal

After more than a year of intense negotiations and litigation, U.S. Soccer and the association representing the Women's National Team reached a deal for a new collective bargaining agreement.

The deal comes a year after the women's team filed a complaint with the Equal Opportunity Employment Commission demanding to be paid on equal footing with the U.S. men's national team.

Under the new agreement, which lasts through 2021, covering the 2019 World Cup and the 2020 Olympics, the soccer federation will pay NWSL salaries for national team players who commit to playing in the league, improve the quality of travel, give the players the rights to market their likenesses, provide higher pay for participation in national team games, as well as the opportunity to win more bonus money, plus additional support for maternity and child care. The two sides didn't release specific details of the compensation increases, though the women will get the same per diem pay as the men do.

Women's players had been paid \$72,000 to appear in 20 exhibition games per season, with victory bonuses taking that up to a maximum of \$99,000. The men received a minimum of \$5,000 to play in each game, regardless of the outcome.

Win bonuses for the men can reach more than \$17,000 per game.

In a joint statement, the two sides said, "We are proud of the hard work and commitment to thoughtful dialogue reflected through this process."

—Matthew Futterman

SCOTT HALLERAN/GETTY IMAGES

MINOR-LEAGUE HOCKEY

LESS VIOLENT HOCKEY—ALSO LESS POPULAR

BY REBECCA DAVIS O'BRIEN

ROB MCCAIK was a fan favorite during most of his career skating for 16 minor-league hockey teams in the U.S. and Canada.

When an opponent took a cheap shot at a teammate or even sometimes if play just got sluggish, McCaig said, "I would get a tap on the shoulder, go on out and rattle someone's cage."

The defenseman enforcer, who played through the 1990s and into the early 2000s, says it wasn't uncommon for more than 11,000 fans to pack the Cajundome in Lafayette, La., to watch him slug it out. In his 1995-1996 season with the Louisiana IceGators, McCaig earned 512 penalty minutes in 59 games, an all-time record for the AA-level ECHL league.

Today, though, McCaig might not be able to make a roster.

Forty years after the Paul Newman film "Slap Shot" immortalized the rough-and-tumble world of minor-league ice hockey, the sport has changed directions: It is more polished, less pugnacious. The game is faster and more artful, which helps attract corporate sponsors and makes the minors a better pipeline to the big leagues.

The decline in violence also reflects the heightened concerns about concussions, which are especially acute in hockey after the deaths of several enforcers were linked to head trauma.

Yet attendance is down across most leagues and most of the teams aren't profitable, leading some to wonder if the minor-league game has lost its way. At least 16 teams in the ECHL alone have folded in the past 10 years due in part to financial difficulties stemming from dwindling attendance and corporate sponsorship.

The latest casualties are the Elmira Jackals, in western New York, who announced in March that they would fold after this season ends on April 8. After years of ownership turnover and mounting debt, county officials assumed ownership of the Jackals last year, but couldn't support the costs of the team.

"There's been a major evolution in minor-league hockey over the



Average regular-season attendance in the ECHL has declined 20% from the 1996-97 season, from 5,273 to 4,213.

course of the last 15 years, and in many cases it's not been a positive evolution," said Michael Franke, whose family has owned the Fort Wayne Komets for 27 years.

Franke likened minor-league hockey's woes to those of Nascar, another sport with a blue-collar fan base that is increasingly disenchanted. "The physicality of the sport is nowhere near what it used to be," Franke said.

In the Komets' league, the ECHL—formerly known as the East Coast Hockey League—average regular-season attendance has declined 20% from the 1996-97 season, from 5,273 to 4,213. Average attendance is down each of the past four years.

Many argue it is no coincidence that fighting is also down markedly. In the 1995-96 season, ECHL teams averaged 92 major penalties. In the 2015-16 season, the average was less than half that amount, 42.5 major penalties.

Blame the National Hockey League for at least some of the changes. While the minors used to be a home for burnouts and brawlers, they are increasingly used by

NHL teams to develop young talent and stash players. Since 2010, all 30 teams in the American Hockey League have affiliations with an NHL team, and some share ownership.

"It really is a true developmental league," said Brian Cheek, co-owner of the Manchester Monarchs, an ECHL expansion team in New Hampshire. "We just feel like that's the best way for hockey to develop."

Cheek, along with friends from college and business school, bought the Monarchs in 2016 from AEG Worldwide, the entertainment and sports conglomerate that also owns the Los Angeles Kings—the NHL team with which the Monarchs are affiliated. He declined to say how much they spent on the team, but said it was in line with expert estimates of between \$2 and \$4 million, including a \$1 million ECHL franchise fee.

Cheek acknowledged that running a small-town hockey team is "a challenging business"—Manchester has languished near the bottom in league attendance. The team has experimented with promotional efforts at the arena, including "Superhero Nights," when

the team warms up in capes.

"We are in the hockey business, but we are selling entertainment," Cheek said. Despite the team's growing pains, he thought the league had a "bright future."

ECHL Commissioner Brian McKenna says the league made a conscious decision about 15 years ago to focus on development over just entertainment.

"There's certainly a certain portion of the audience that enjoys fistfights," McKenna said. "The style of play changing may turn off some fans, but I think by the same token it opens up a huge potential audience."

Several owners echoed this, saying they were focused on "family-friendly fun."

On the other end of the spectrum, the Fort Wayne Komets regularly boast the ECHL's best attendance, with more than 7,000 people in the stands. They also have among the most penalty minutes, the result of a directive to get "guys who will put it on the line and entertain our fans," Franke said.

The Komets are the only ECHL team without a formal affiliation with teams in the NHL or the AHL.

OPINION

The Trump Tweets



WONDER LAND
By Daniel Henninger

Asked during an interview with the Financial Times whether he regretted any of his tweets, President Trump said, "I don't regret anything." He said Twitter is part of the reason he made it to the White House and on balance the tweeting is worth it: "You know if you issue hundreds of tweets, and every once in a while you have a clunker, that's not so bad."

Mr. Trump's deputy press secretary, Sarah Huckabee Sanders, complained on "Fox News Sunday" that the media's coverage doesn't reflect the reality of the new presidency: "The media constantly wants to talk about something that doesn't exist instead of something that does."

"She said, "We've spent the last couple of months doing major policy initiatives and rollouts in the forms of executive orders, rolling back regulations, creating an environment where businesses are confident in hiring again."

All of this is true, not least Mr. Trump's belief that Twitter helped him into the Oval Office. Back then, Mr. Trump's tweets drew free-media attention to himself and his shoe-string campaign. The tweets destabilized his opponents, notably Hillary Clinton, who over-focused on him at the expense of her own message. The tweets rallied the Trump base and held it together

when he had virtually no ground game. In the campaign, the tweets produced a positive outcome.

In his presidency, though, Mr. Trump's tweets are producing the opposite result. They have become presidential speed bumps.

This time, the tweets are drawing attention to himself as a president in permanent tension with two major American institutions: the U.S. press and the intelligence community. His furious, highly charged tweets about them produced a reaction. Both institutions are now in active opposition to his presidency, especially the media.

The ancient advice, "don't pick fights with people who buy ink by the barrel," is still true. The media—print, television, the web—buy time with the public by the petabyte. Every Trump tweet produces media pushback as negative coverage or snark at an overwhelmingly anti-Trump ratio.

Tweeting "Sleepy Eyes Chuck Todd" incentivizes every decision-maker at NBC to put anti-Trump reporting at the top of its hourly-news budget across the network. Where is the upside?

Mr. Trump has many sympathizers in his fight with the media. But for every president back to Lyndon Johnson, this is like waging battle with the tides. Repetitive negative publicity on this scale will suppress the Trump message and agenda.

Mr. Trump has a point about the media's microscopic coverage of the Russia collusion story and its disinterest

in the Obama White House's abuses of U.S. intelligence. But the intensity of his tweets against the failing New York Times, the dishonest Washington Post and CNN's fake news is mainly increasing audience size and political market share for the media's version of these events.

Twitter helped him win the White House. Now Twitter may cause him to lose it.

The campaign tweeting destabilized Mr. Trump's Republican primary opponents. The presidential tweeting is destabilizing people who are on his side—in Congress, in the government and in the military.

The Trump "change" presidency, running hard on multiple fronts, was inevitably going to produce a big Beltway counteroffensive. The tweets disrupt the momentum of the people who are executing his plans and his legislative agenda.

The Trump White House doesn't put much stock in the Gallup poll's daily tracking of the president's approval rating, but its fall below 40% is almost entirely the result of public anxiety driven by negative static.

As former presidents know, falling steadily downward in public approval causes some House members and senators to distance themselves from the White House. With so many hard votes coming up,

that small distance could determine whether he wins or loses.

After the election, the Democrats were confused and on defense. The political storms erupting after Mr. Trump's tweet storms have energized the defeated Democrats, whose candidates are raising hundreds of thousands of dollars for 2018 from small donors on the internet.

During the primaries, the Trump base emerged as a solid 30%. It will never abandon him. But as president, the arena of battle—on taxes, spending and infrastructure—has moved unavoidably to Washington, where the Trump base is a less potent factor.

Mr. Trump is right. Twitter helped him win the presidency. But the net-negative effects of the president's tweets are eroding his chances for success in Washington, where every victory is won at the margin.

The president should step back from tweeting and assemble a professional, Trumpian team to handle his public relations. If his presidency fails, historians of the Trump presidency will record that Twitter raised him up, and Twitter brought him down.

* * *

Correction: Last week's column stated that Republican Rep. John Faso of New York signaled his intention to vote against the Trump health-care reform bill. The good news is that Mr. Faso, who defeated progressive Zephyr Teachout in 2016, stood his ground and publicly supported the bill.

Write henninger@wsj.com

BOOKSHELF | By Sam Kean

The Neverending Story

Beyond Infinity

By Eugenia Cheng
(Basic, 284 pages, \$27)

Infinity is one of those concepts that, depending on which facet you're contemplating, can leave you with either a feeling of rapture or a splitting headache. Paradoxes and frustrations abound, and basic concepts like addition and subtraction get warped in unsettling ways. But if you have the right mind-set, as Eugenia Cheng does in "Beyond Infinity," the oddities become a part of the pleasure.

Near the start of the book, Ms. Cheng, a British mathematician who lives in Chicago, gives a perfect example of why we need to tread carefully with infinity. Laypeople generally know infinity as the largest possible number, one so gigantic that adding anything to it can't make it bigger in any meaningful way. (Sort of like adding a measly buck to the U.S. national debt, only much more so.) Mathematically, you'd describe that trait as follows: infinity + 1 = infinity. That equation conceals a trap, however: If you subtract infinity from both sides, you get 1 = 0. Clearly that's wrong, but it's hard to pinpoint exactly what went awry.

Understanding the problem here involves several steps. First, we need a better grasp on what infinity is—we need to define it. To this end, Ms. Cheng introduces several different categories of numbers (natural numbers, rational numbers, real numbers) and shows which traits infinity shares with each of them—as well as, crucially, which traits it doesn't.

Anyone who took much math in college will probably find the ideas in these chapters quite familiar. But Ms. Cheng's chatty tone keeps things fresh. She has a knack for folksy analogies, and at different points in the book she illuminates different properties of infinity by discussing Legos, the iPod Shuffle, snorkeling, Battenberg cakes and Winnie-the-Pooh. (My favorite aside of hers involved birthday candles. If you ever run short of them on a cake, you can always light them in binary, with lit candles for 1, unlit candles for 0. Given human life spans, you'll never need more than seven.)

After defining infinity, Ms. Cheng goes on to examine what we really mean when we speak of operations like addition and subtraction and even counting. Now, these topics might seem rudimentary at first, to the point of banality. But as she breaks these ideas down, it becomes clear that addition and subtraction simply don't work the same way with infinity. For instance, we all know that $2 + 5 = 5 + 2$, because you can add normal numbers in any order. But with infinity, that's not true. It's a so-called ordinal number, meaning that its position in an equation matters. As a result, infinity + 1 does not equal 1 + infinity. Along those same lines, you can't simply subtract infinity willy-nilly from both sides of an equation the way you can with, say, 3 or x. It's a testament to Ms. Cheng that, by the time you reach this topsy-turvy conclusion, it seems—well, not quite intuitive; nothing with infinity is that easy—but quite sensible. There's no greater *frisson* in mathematics than feeling something obscure suddenly click inside your brain, and this happened to me several times while reading this book.

In theory, you can take a bowl of cookie dough and produce a series of cookies that, collectively, have infinite surface area.

Once we have a handle on infinity, it's play time, as Ms. Cheng explores all the wild things that mathematicians can do with this toy. She mentions several times how much she enjoys baking. (Her first book was titled "How to Bake Pi.") And believe it or not, she demonstrates here that you can theoretically take a bowl of cookie dough—a finite volume—and produce a series of cookies that, collectively, have infinite surface area. Most of the cookies won't be very large, mind you—vastly smaller than a single chocolate chip—but the math checks out. You can find the infinite lurking in your oven.

As an even stranger example, consider this: If you make a list of all the counting numbers (1, 2, 3, 4, . . .) and a second list of all the even counting numbers (2, 4, 6, 8, . . .), it seems obvious that the former should be longer. After all, the first list includes all the even numbers plus the odds. But no. It turns out that, given the definition of infinity, there are exactly the same number of counting numbers overall as there are even counting numbers. As Ms. Cheng explains (by invoking the matching of celebrities with dancers on "Dancing With the Stars"), every number in the first list can be paired off with one in the second list, just by multiplying by two: 1 goes with 2, 2 goes with 4, and so forth. Thus the two lists are the same size. In fact, by identical logic, there are the same number of counting numbers as there are numbers that end in 0 (10, 20, 30, . . .) or that end in fifteen 0s. Each one of those lists is infinite and therefore equal.

That's not to say that all infinities are alike. Irrational numbers, like pi and e, have decimal expansions that never repeat and never terminate: 3.1415926 . . . And if you tot up all the irrational numbers, there are more of them than there are plain counting numbers. In other words, there are more than infinity of them. That seems like an oxymoron: Infinity is the biggest possible thing ever. So how can this number be larger than infinity? But in fact there's a whole hierarchy of infinities, each one greater than the last. Had Lewis Carroll lived a little later (he was a mathematician and logician in daily life), you get the sense that he would have delighted in such paradoxes.

Several times in "Beyond Infinity," Ms. Cheng admits that she's something of a coward physically, terrified at the thought of hang gliding or sky diving. But she proves fearless in leaping off the mathematical precipices that arise with infinity. Above all, she does a great service by showing us non-mathematician schlubs how real mathematical creativity works. Surprisingly, progress doesn't always require thinking up new and horrendously complicated equations—sometimes rethinking basic concepts like addition or counting can open up whole new vistas. And from this point of view, the title of the book seems like something of a misnomer. We don't necessarily have to get beyond infinity to appreciate it; getting close is already pretty amazing.

Mr. Kean's latest book is "The Tale of the Dueling Neurosurgeons: The History of the Human Brain as Revealed by True Stories of Trauma, Madness, and Recovery."

By Karl Rove

plans." The president's tweets can educate millions. Why not keep them substantive?

Maybe Mr. Trump's top advisers should take turns reviewing his tweets in advance. The president might not welcome this, but tweaking his messages has become vital.

The public now knows that President Obama's national security adviser, Susan Rice, unmasked the name of at least one Trump transition official.

This should be a time to notch early wins. But Trump is stalled and distracted.

Investigators in Congress are unlikely to find collusion between Vladimir Putin's spy apparatus and the Trump campaign, but likely to reveal mishandling of intelligence by Obama officials.

Mr. Trump should move on, saying simply that he is happy lawmakers are investigating and looks forward to their report. A day of vindication is probably coming, but this story has become a distraction.

Mr. Trump should stop blaming his predecessor. It was tiresome when President Obama did it and made him look weak.

The president should stop raising expectations. Islamic State will not be defeated quickly. ObamaCare will not be

repealed and replaced easily. Mr. Trump is not "the greatest jobs producer that God ever created." The strategy should be to underpromise and over-deliver.

Mr. Trump should stop attacking fellow Republicans, too. Punching down at the Freedom Caucus makes it more difficult for its members to support him on issues like the debt ceiling and tax reform. Better to express disappointment than anger—and to do it privately.

Constant leaks suggest that the White House staff is riven by division and disunity, with three feuding tribes: the Trump family and its allies, populist disrupters led by Steve Bannon and Stephen Miller, and everyone else. The president should try to diminish infighting by encouraging unity of purpose, while maintaining diversity of opinion.

Mr. Trump won't boost his staff's morale by blaming them for recent setbacks, as leaks from the West Wing indicate he has done. That causes aides to hunker down and leads to more finger-pointing, acrimony and distrust. At moments like this, a president must buck up the people around him by owning the missteps.

While reports from White House visitors suggest that the policy-making process has gotten less ragged than it was in the administration's opening weeks, much more structure is still needed. The president should regularly block off substantial time on his calendar

for policy briefings, preceded by meetings during which the principals can frame the debate for him. Potential decisions should be put on paper and circulated through senior staff for comment. There should be some forum to achieve consensus on what to focus on when, and for how long.

It's dangerous to have people whose only job is to advise the president, since this encourages aides to end-run or short-circuit any formal policy process. Better to make these people directly responsible for helping to execute decisions.

The White House should host fewer events so that it can go deeper into each issue it wants to draw attention to. The constant rush of appearances, tweets, rallies, interviews and photo-ops is good for cable television, but it could burn out the staff and stretch the president too thin.

Moreover, this all seems a jumble to most Americans. The avalanche of news generated by this White House could exhaust people, causing them to lose interest and confidence. When his approval rating is below 40%—with softening support among even Republicans—the last thing Mr. Trump should want is for Americans to turn off and tune out.

Mr. Rove helped organize the political-action committee *American Crossroads* and is the author of "The Triumph of William McKinley" (Simon & Schuster, 2015).

By Fahoum Fahoum

Tennis changed my life. Growing up as a Palestinian citizen of Israel, I struggled with an identity crisis, feeling caught between two worlds. But when I was 8, I started playing tennis in Haifa. Eventually I became the first Arab Muslim on the Israeli junior national team, representing the country in European and world championships.

This was a personal success. More important, though, it gave me a platform for building bonds with Jewish youth. The tennis court was an island where everyone felt like they belonged. My teammates and I embraced the same identity. I built trust with my doubles partner and the people on the other side of the net, too.

Once my parents realized the sport's potential to bring people together, they established

the Coexistence Program at the Israel Tennis Center in Haifa. It introduced young Arabs and Jews to the game, while transforming on-court partnerships into off-court friendships. The program, which began in 2001 with

Sports can change the world—as they did my life—by helping us see each other differently.

around 10 children, now operates nationwide with hundreds of participants.

When I was growing up, Israeli high schools and colleges did not have organized sports. But Americans know well the power of sports, as I learned when I came to Quinnipiac University in Connecticut on a tennis scholarship. Even though

my teammates and I came from different corners of the world, we were all Bobcats. Social psychologists have a name for this phenomenon of a shared, complex identity. They call it a "superordinate identity."

Playing sports can help reframe a conflict. It builds the groundwork for cooperation by putting teammates in the same boat. To paraphrase the late Morton Deutsch, a professor at Teachers College, Columbia University, this creates a positive interdependence: If you swim, I swim, and if you sink, I sink. It galvanizes people to do what is best for the team. If another player is in a better position to score than you are, you will pass the ball.

Sports recognizes no language barriers. Drop a soccer ball into a group of kids in Israel, South Africa or Ireland, and watch what happens. There will be no need for an

introduction, let alone an explanation of the rules. Instead players communicate using their bodies within an established system of rules that makes them "speak" soccer fluently. Just as sports altered my path, it has the power to change the world.

That's why the United Nations has declared April 6 the International Day of Sport for Development and Peace. Athletics can provide entertainment and exercise, yes, but also so much more. It can be used as a tool for tackling social issues—fighting obesity, empowering women, integrating refugees or promoting peace. Sports are more than mere games. They're essential to the healthy transformation of society.

Mr. Fahoum is a graduate of Columbia University's master's program in negotiation and conflict resolution.

OPINION

REVIEW & OUTLOOK

California's Wasted Winter Rains

Reservoirs and rivers are overflowing as storms have pounded California this winter, and after years of drought that should be good news. The problem is that misguided environmentalism is wasting the water windfall and failing to store it for a non-rainy day.

Hydrologic records indicate that this year could be the wettest on record in California. Statewide snowpack measures 160% of average. Precipitation in Palm Springs exceeds the historic norm by more than 50%. Lo, the desert is actually blooming. Most of the major reservoirs in the north are full, and some are releasing hundreds of billions of gallons of water to prevent flooding and make room for the melting snowpack this spring.

While farmers and communities downstream can capture some of the discharges, millions of acre-feet will invariably flow into the ocean due to lack of storage capacity and rules to protect endangered fish species. One problem is that while the state population has increased 70% since 1979, storage hasn't expanded. Water districts in southern California have developed small local reservoirs and groundwater basins, but what's most needed is storage in the north where most of the rain and snow falls.

The Public Policy Institute of California estimates that five proposed reservoirs could add four million acre-feet of storage capacity at a cost of \$9 billion. Yet environmentalists have opposed every significant surface storage project for three decades. The state is even razing four hydroelectric dams on the Klamath River that green groups complain impede fish migration.

Ah, the fish. Regulations intended to protect smelt and salmon have limited pumping at the Sacramento-San Joaquin River Delta. As a result, some seven million acre-feet of water that was once available for Central Valley farmers and Southern California is flushed into San Francisco Bay each year.

Meanwhile, a 60-mile dry riverbed on the San Joaquin River that hasn't borne fish since the 1940s is being restored at a cost of \$1.7 billion to farmers and state and federal taxpayers. The river restoration is expected to divert an additional 170,000 acre-feet each year, but it could be more since the Chinook salmon that

environmentalists want to revive require cool temperatures—meaning more water—to spawn and survive. Government biologists are spending millions of dollars to truck (literally) salmon around the valley while trying to calibrate optimal temperatures and water flows. Yes, these salmon have chauffeurs.

Last September the State Water Resources Control Board proposed limiting the amount of water that farmers and cities in the north could use from three tributaries that feed into the San Joaquin River in order to boost the Central Valley's fall-run Chinook salmon population, which numbers 750,000. The plan would reduce water available to farmers and cities by 250,000 acre-feet on average annually and 500,000 acre-feet during dry years. If all goes according to plan, the salmon population could increase by 1,103.

The affected communities including the Bay Area are represented by Democrats and enjoy senior water rights. So they've been less vulnerable to regulatory cutbacks that have parched farmers in the south. While the state board's plan would cause more farmland to be removed from production, the main casualties would be low-income and Hispanic communities like Merced that rely on groundwater recharged by the tributaries.

What's especially ironic is that all of the water diversions intended to benefit the environment may be causing irreparable environmental damage. Communities and farmers have drilled deeper wells and pumped more groundwater to compensate for reduced imports from the delta, leading to severe land subsidence.

A recent report by the California Department of Water Resources found that the San Joaquin Valley is sinking at a rate of nearly two inches per month in some areas. Land around Corcoran dropped 22 inches between May 2015 and September 2016, complicating engineering work on the state's bullet train. Subsidence has also reduced the carrying capacity of the California Aqueduct, which delivers water to Southern California, by 20%.

California has an arid climate, and parched times will return, which is all the more reason to take advantage of the wet years. That greens and politicians won't do so suggests they almost wish for permanent drought.

The Man Who Knows Too Much

Politicians aren't always as dumb or cynical as they sound, but you wouldn't know that from Wednesday's confirmation hearing for Scott Gottlieb. Democrats criticized the nominee to run the Food and Drug Administration for the "conflict of interest" of knowing too much about the industries he'd regulate.

Washington Senator Patty Murray and other Democrats devoted most of the morning to agitating about Dr. Gottlieb's "unprecedented financial entanglements" because he has consulted for various companies and invested in health-care start-ups. Rhode Island's Sheldon Whitehouse flopped in with a strange remark about "dark money operations," which is an amusing way to describe financial disclosures available on the internet.

Bernie Sanders, never one to be hamstrung by knowledge, tweeted Wednesday that it was a "disgrace" to have an FDA commissioner who has taken money from drug companies. These are the same committee Democrats who pummeled Betsy DeVos for not having enough experience in public education.

Dr. Gottlieb disclosed his work in accordance with government rules and will liquidate his investments. He agreed to recuse himself for a year on decisions relevant to his past interests. He also promised Wednesday to follow directives from the Health and Human Services eth-

Democrats fret that Scott Gottlieb is too expert for the FDA.

ics office, and to be an "impartial and independent advocate for the public health."

The irony of the claim that Dr. Gottlieb can be bought by the industry is that pharmaceutical companies won't be thrilled by some of his priorities. One is increasing generic drug competition: On Wednesday he offered a tutorial in how

companies exploit regulatory barriers to competition for their commercial advantage. Sounds like something ol' Bernie should like.

Another ugly charge is that Dr. Gottlieb won't address the opioid crisis because he has worked with companies that produce painkillers. Yup—he wants to take a pay cut and subject himself to bureaucratic hassles so he can peddle pills to addict more Americans. Who writes this stuff? In fact, Dr. Gottlieb called opioid abuse "a public emergency on the order of Ebola and Zika" and suggested an "all-of-the-above" strategy that would include inventing less addictive painkillers and better patient care.

Dr. Gottlieb has written lucidly about how FDA can unleash innovation without compromising public safety, which he rightly calls a "false dichotomy." Democrats once believed in expertise, and if they cared about delivering cures for patients as much as they fret that someone is making a profit, they'd confirm Dr. Gottlieb in a millisecond.

Late Hit on Neil Gorsuch

Democrats haven't found a weakness in Supreme Court nominee Neil Gorsuch, and not even a filibuster seems likely to stop his confirmation. But opponents will try anything, and late Tuesday they used some willing media outlets to claim that a handful of sentences in his book and dissertation were similar enough to suggest plagiarism.

Politico reports—based on "documents provided to Politico," you can guess by whom—that in his book, "The Future of Assisted Suicide and Euthanasia," Judge Gorsuch used another author's words to describe Down syndrome and a condition known as "esophageal atresia with tracheoesophageal fistula." In a 1984 Indiana Law Journal article, Abigail Kuzma wrote that "esophageal atresia with tracheoesophageal fistula indicates that the esophageal passage from the mouth to the stomach ends in a pouch, with an abnormal connection between the trachea and the esophagus."

Judge Gorsuch used the same words in his explanation of the medical condition, a technical description of a specific ailment outside his area of expertise. Ms. Kuzma has issued a statement that she had "reviewed both passages and [does] not see an issue." Because the passages "are factual, not analytical in nature," she writes, and "both describe the basic facts of the case, it would have been awkward and difficult for Judge Gorsuch to have used different language."

Politico also criticizes Judge Gorsuch for cit-

ing primary sources when attributing portions of his writing, rather than citing secondary sources. But primary sources are an approved method of citation in academic publications. Judge Gorsuch describes Derek Humphry, a founder of the Hemlock Society and advocate for voluntary euthanasia, in similar terms as a book on the euthanasia movement written by Ian Dowbiggin, but he credits books by Rita Marker and Sue Woodman as the primary sources.

Politico rolled out some left-leaning academics to call this and a couple of other examples plagiarism, but this is thin soup. Someone subjected every word in all of Judge Gorsuch's more than 5,000 pages of writing to a Big Data plagiarism analysis, and this is all they found.

Oxford University emeritus professor John Finnis, who supervised Judge Gorsuch's doctoral thesis, reviewed the allegations and says that "in all four cases, Neil Gorsuch's writing and citing was easily and well within the proper and accepted standards of scholarly research and writing in the field of study in which he was working." Georgetown professor John Keown was an outside examiner on Judge Gorsuch's dissertation and called the allegations "entirely without foundation."

Late political hits are a progressive specialty and Democrats might try to use this one to postpone the confirmation debate. Republicans should dismiss this desperation ploy and vote to put the distinguished jurist on the High Court.

OPINION

A Resolute Message for China

By John Bolton

This week's summit with Chinese President Xi Jinping is the most important meeting President Trump will have during his first 100 days in office. The 21st century could well be defined by the Washington-Beijing relationship. Things are not going well so far for the home team. China is on the march globally, and Mr. Trump inherited "no drama Obama's" U.S., which has been watching it happen.

Remembering Mr. Trump's campaign promises, the White House may be tempted to focus the summit on China's many violations of its multilateral trade commitments, including pirating intellectual property; tilting domestic markets in favor of Chinese companies, especially state-controlled ones; and discriminating against foreign litigants in judicial proceedings. China's mercantilist policies have harmed America and the liberal international trading order generally. All merit extended discussion.

From Taiwan to North Korea, Trump can make clear to Xi that America is no longer in retreat.

But it's even more important that Mr. Trump enter the meeting with a coherent strategic plan to address geopolitical and economic disputes. He should feel no pressure to bridge, let alone resolve, any of them now. He should instead focus on conveying clearly his administration's worldview, which is very different from his predecessor's.

Making America's foreign policy great again should mean that apologies, acquiescence, disinterest and passivity are terms that no longer describe or apply to Washington's leaders. No grandiose final communiqué is needed; a simple statement that



A newsstand in Beijing.

the two leaders had a full and frank exchange of views will suffice.

Topping the agenda should be North Korea's nuclear-weapons program, the most imminent danger to the U.S. and its allies. Secretary of State Rex Tillerson and Defense Secretary Jim Mattis have made clear how seriously they view the prospect of Pyongyang fitting an intercontinental ballistic missile with a nuclear warhead and threatening targets in the U.S. The president must follow up vigorously, or the Chinese may underestimate how strongly the U.S. feels about the North Korean menace.

The only real way to end the North Korean threat is to reunify the peninsula by merging North Korea into the South. China will find that difficult to swallow. But if the Trump administration can demonstrate the many benefits to China flowing from the regional stability and global security that reunification would bring, Beijing should come around.

North Korea has achieved its current nuclear capabilities despite 25 years of American attempts to halt its progress. U.S. options for stopping Kim Jong Un from taking the final step are now severely limited. Moreover, the U.S. and China must bear in mind that whatever North Korea can do, Iran can do immediately thereafter—

for the right price. As Pyongyang inches ever closer to producing deliverable nuclear weapons, the prospect of a pre-emptive U.S. strike against its nuclear infrastructure and launch sites cannot be ruled out.

Beijing has itself threatened to turn the international waters of the South China Sea into a Chinese lake by building bases on disputed rocks and reefs. In the East China Sea, Beijing seeks decisive ways to break through "the first island chain" and into the Pacific. Taiwan is a target; Mr. Xi will repeat the phrase "One China" monotonously in hopes of hypnotizing the Trump team into believing it means what Beijing believes it means, rather than our longstanding interpretation.

The Obama administration's policy was to call for China, Vietnam, the Philippines and others to resolve their territorial disputes through negotiation. This might have worked had U.S. military forces been sufficiently deployed to support the other claimants and manifest America's will not to accept Chinese *faits accomplis*. Instead, Mr. Obama presided over the continuing world-wide decline of our naval capabilities. While Mr. Trump is committed to reversing that decline, it won't happen overnight. Accordingly, as when

Ronald Reagan replaced Jimmy Carter, Mr. Trump must display political resolve, buying time until the necessary naval assets are once again at sea. Otherwise, China gets what it wants with cold blue steel, not diplomatic niceties.

China's threatening military buildup has implications well beyond its bordering seas. Its cyberwarfare program is large and growing. Its anti-ship missiles and other offensive naval weaponry are expressly intended to diminish the U.S.'s ability to project power into the Western Pacific. China's own naval buildup—its first in 600 years—endangers all its East and Southeast Asian neighbors; its nuclear and ballistic-missile efforts threaten India in unprecedented ways and have major implications for America's ongoing nuclear-posture review; and its anti-satellite program is aimed squarely at U.S. intelligence-gathering capabilities in space.

For eight years, China's military budget has climbed while America's has fallen. Communist Party leaders drew the inescapable conclusion that they had a free hand to translate China's economic successes into military hardware and then to use, or threaten to use, those capabilities to achieve their international objectives. Who would stand in their way? China's neighbors, from Japan around to India, are incapable of resisting its power without American help. But while Washington has no appetite for conflict, neither should it simply accept Beijing's adventurism.

President Xi must leave Mar-a-Lago with the firm conclusion that he needs to re-calibrate China's geopolitical strategy. That alone would be a significant win for the home team. Spring training is finished. For Messrs. Xi and Trump, the real season starts Thursday.

Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).

For Syria, Words Won't Be Enough

By Paul Wolfowitz

Among the many unintentionally profound comments attributed to Yankee great Yogi Berra, one of the best known is, "When you come to a fork in the road, take it."

President Trump may have initially believed that he could avoid the fork in the road presented by the Assad regime's use of chemical weapons in Syria by simply blaming the crime on Barack Obama's failure to enforce his "red line" four years ago. Fortunately it seems he has reconsidered.

Mr. Trump initially responded on Tuesday by condemning the attacks as "heinous" and "reprehensible." He added correctly that little children in Syria would not be dying such gruesome and painful deaths, gasping for breath, if Mr. Obama had followed through on his warnings against the use of chemical weapons in that civil war.

Trump says attacking civilians crosses 'many lines.' Will he back it up?

That made it briefly appear as though the president might use Mr. Obama's failure as an excuse to avoid action. In a joint press conference Wednesday with Jordan's King Abdullah, however, Mr. Trump said the attacks on Syrian civilians, "innocent little babies" in particular, crosses "many, many lines for me." He continued, "I now have responsibility," and will "carry it very proudly."

Mr. Obama's temporizing has admittedly taken some options away from Mr. Trump. What former Secretary of State John Kerry once described as an "unbelievably small, limited kind" of military strike probably was never sufficient to fulfill its stated purpose: to "hold Bashar Assad accountable." Certainly something more substantial is needed now. And Russia's presence in Syria makes the situation much more problematic. Escaping this crisis through yet another agreement to eliminate Syria's horrific weapons peacefully is no longer feasible.

Let us hope Mr. Trump will reassess the impact of recent statements by members of his administration indicating that the U.S. is prepared to live with the Assad regime. The Syrians—and their Russian and Iranian backers—might well have interpreted this as a signal that they could continue terrorizing the population. Ominously, doctors and activists in the Idlib area, where Tuesday's attacks took place, say there has been an upswing in the use of chemical weapons since the end of 2016.

The large numbers of Syrians who see Mr. Assad as no better than ISIS probably believe that the Trump administration has given him a green light. Their seeming acceptance of Mr. Assad must have come as a dash of cold water for our many allies and potential allies who thought the new American president was a strong, bold leader who would stand up to Iran in a way his predecessor did not.

Mr. Trump now needs to back up Wednesday's strong words with leadership. As president, his statements carry weight that they didn't previously. World leaders make life-or-death decisions based on what they believe the American president's words signify about U.S. intentions. If his actions don't match his rhetoric, critical allies will conclude that Mr. Trump is weak, like his predecessor, which will have a damaging ripple effect for U.S. interests throughout the region and the world.

As with most such situations, the facts of the case are not yet completely clear. The Russians are claiming that Syrian warplanes targeted rebels who were producing toxic projectiles—an unconvincing story, but the facts do need to be investigated.

While the investigation is under way, the Trump administration should not spend the time hoping that the problem will go away. Instead, they should use it to prepare a bold course of action to end these barbaric attacks and restore peace to Syria. That is no small task.

Indeed, the Trump administration's foreign policy is facing its first serious fork in the road. The president seems ready to take on the burden. All Americans should hope that he does not fail.

Mr. Wolfowitz, an American Enterprise Institute scholar, has served as deputy defense secretary and ambassador to Indonesia.

How FDA Rules Made a \$15 Drug Cost \$400

By Mark L. Baum

The theory is that generic drugs should be less expensive than the original. By the time a generic hits the market, the drug's patent has expired, allowing competition from companies that didn't spend millions of dollars to develop it. As more options become available, prices are supposed to drop. But because of quirks in America's regulatory system, it doesn't always work out this way.

In 2009 the Food and Drug Administration approved a new version of colchicine, which treats symptoms of gout. Prices rose from 25 cents to \$6 per pill. Two years later, the agency approved a new hydroxyprogesterone, which helps prevent premature births. It went from \$15 to \$400 an injection. In 2014 the FDA approved a generic of the man-made hormone vasopressin. Prices jumped from \$11 to \$138 for an injection.

What explains the counterintuitive price increases? All these prescription drugs fall under a category known as DESI drugs, named for their inclusion in an FDA program called Drug Efficacy Study Implementation. These drugs came to market before 1962, when getting FDA approval for a drug required proving its safety but not its efficacy. Such drugs, manufactured under expired patents, are used by millions of Americans today.

But once the FDA approves a new drug application for a DESI drug, the existing drug can be pulled from the market. The "new" drug is treated as a material advance because it underwent testing for safety and efficacy—even though the DESI version was proved safe and effective over decades of actual use. The developer of the new drug may also get a new period of market exclusivity that lasts three years.

This makes little sense. Market exclusivity should let pharmaceutical

companies recoup their often enormous investments in genuinely new drugs. Giving monopoly protection for what is essentially a generic version of a DESI drug merely enriches sharp-dealing companies while injuring patients.

For many older medicines, government forces the original, name-brand version off the market.

Another reason generics often face no competition was described by Scott Gottlieb, President Trump's nominee for FDA commissioner, in these pages last year. He noted that a generic-drug application can cost as much as \$15 million. This high up-front cost is part of why would-be manufacturers of generics often pass on the opportunity to compete against branded drugs with smaller markets. This has allowed many

pharmaceutical companies to raise prices with impunity.

Overhauling the drug-approval process will take time. But there are already tools to help ensure reasonable prices for the estimated 17% of U.S. drugs that lack competition.

The Drug Quality and Security Act of 2013 was designed to ensure that companies can quickly respond to a drug shortage by allowing a new type of drug maker, called an "outsourcing facility," to enter the market. It copies an FDA-approved product, regardless of exclusivity, provided that it manufactures the drug in an FDA-registered and -inspected facility using FDA-approved ingredients. American companies, including mine, have invested in such facilities.

Yet the potential of this legislation remains untapped. The FDA should clearly define "drug shortage" to include a lack of access due to abnormally high prices. With this simple change, FDA-registered outsourcing facilities could quickly bring sky-high prices for monopoly generics with expired patents back to earth.

At the same time, the Trump administration should authorize Medicare and Medicaid to pay for compounded drugs made in outsourcing facilities, which currently aren't covered. Right now government policy forces Medicare to pay Turing Pharmaceuticals, the brainchild of the notorious "pharma bro" Martin Shkreli, \$750 for a single Daraprim pill. Instead Medicare should be able to choose my company's Daraprim alternative, priced at 99 cents a pill, which has been safely dispensed to thousands of patients nationwide.

Reforming the drug-approval process is critical. Meanwhile, these steps would ensure that demonstrably safe drugs made in America can be offered at a reasonable price to patients who need them. If drugs must carry a high price tag, it should be to recoup investment in innovation—not to enrich a monopolist for an off-patent, inexpensive medicine it did not develop in the first place.

Mr. Baum is the CEO of Imprimis Pharmaceuticals, Inc.

A Gray Wolf in the Silver State

By Allysa Finley

Dear Gov. Sandoval, I suppose news of my appearance in Nevada may come as a shock since wolves haven't been spotted here since the 1920s. The Nevada Department of Wildlife says we can't survive long: "Nevada is and always has been poor wolf habitat." But you could change that.

Wolves were once hunted to near-extinction, but thanks to the Endangered Species Act there are now nearly 6,000 of us in the lower 48 states. A few years ago the federal government removed wolves from

the endangered-species list in Idaho and Montana after ranchers complained we were gorging on livestock. (For the record, cow-ripping isn't a crime.) Congress members in the Midwest want to strip our protections in Michigan, Minnesota, Wisconsin and Wyoming too. That means more of us might migrate west.

My uncle OR-7 became a celebrity a few years ago when he visited California, where wolves hadn't been seen for more than 60 years. The state Department of Fish and Wildlife assigned several biologists to track him. They even created a "wolf management plan," hoping that wolves would make a comeback in the state.

In 2014 the California Fish and Game Commission listed us as an endangered species. Under state law, ranchers could get a year in the slammer if they harass, harm, pursue, hunt, shoot, wound or kill wolves. But some animals are more equal than others. Wolves are free to feast on cows and salmon—fish oil is great for the fur.

After searching in vain for a mate, my uncle returned to Oregon, where he met a wild fang and they settled down. My parents preferred a warmer climate and migrated to California to start their own pack. We managed to keep a low profile until . . .

Look: It was never proven beyond a reasonable doubt that we killed those cows. After a thorough "livestock depredation investigation," California's Department of Fish and Wildlife issued a 48-page report heavy on innuendo that concluded the "cause of death could not be definitely determined."

So what if a rancher observed five wolves feasting on a dead calf in a meadow? It doesn't prove a thing. Investigators were clearly trying to entrap us when they went to the meadow the next day and played recordings of wolves howling. We barked back, not knowing we were being surveilled without a warrant.

As for the reported "wolf scats containing what appeared to be cattle hair," this evidence could have been planted by ranchers.

Soon after the cow incident, I overheard some vigilante ranchers threaten the "three S's"—shoot, shovel and shut up—if we got close to their livestock. So last summer we went on the lam. I fled to Nevada, like tens of thousands of human Californians do every year.

I've also heard, governor, that you're offering juicy relocation incentives. Nevada agreed to spend \$750 million on a football stadium to lure the Oakland Raiders to Las Vegas. Tesla CEO Elon Musk received \$1.3 billion in tax breaks to build a lithium battery factory in Reno.

Perhaps you could offer us wolves a few fatted calves. We could also use a safe space in case ranchers approach. Imagine the hundreds of new jobs wolves could create in the field of environmental protection.

Sincerely yours,

Tom Wolf

P.S. Yes, my mom thought she was being cute when she named me.

Ms. Finley is an editorial writer for the Journal.

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WORLD NEWS



South Africa's embattled President Jacob Zuma, seen in Pretoria on Wednesday, has resisted increasing calls to step down.

Muslim Birth Rise Seen Lifting Faith

BY IAN LOVETT

Within 20 years, more babies will be born to Muslim women than to Christian women worldwide, the latest sign of the rapid growth that could make Islam the world's largest religion by the end of the century.

Islam is already the world's fastest-growing religion, according to a study released Wednesday by the nonpartisan Pew Research Center, with the Muslim population increasing by more than 150 million people between 2010 and 2015, to 1.8 billion.

Meanwhile, Christianity remains the world's largest religion. It is growing more slowly, however, largely due to its declining numbers in Europe, which was long the seat of Christendom. As of 2015, there were 2.3 billion Christians.

While Christians accounted for 33% of births worldwide in recent years—slightly outpacing the number of Muslim births—they also made up 37% of world-wide deaths, nearly twice the share of deaths from any other religion.

"Christianity is literally dying in Europe," said Conrad Hackett, the lead researcher on the study.

In most European coun-

tries—including England, Germany, Italy and Russia—Christian deaths outnumbered Christian births from 2010 to 2015. The religion has been buoyed by continued growth in Africa and Latin America.

"The heart of Christianity is moving from Europe to Africa," Mr. Hackett said.

The new report is an expansion on a major Pew Research study from 2015, which first projected that by 2050 the world-wide Muslim population would nearly equal the Christian population, perhaps for the first time in history.

Wednesday's study offers new details about birthrates in recent years. It also projects to 2060, when the Christian and Muslim populations will be nearly equal. The worldwide population of Muslims is projected to grow by 70% between 2015 and 2060. Christianity will grow by 34%.

For both religions, the growing numbers come largely from fertility. Muslims have gained slightly in recent years from people converting to Islam. Meanwhile, Christians have lost more members than any other religion in recent years due to religious switching.

Changing Population

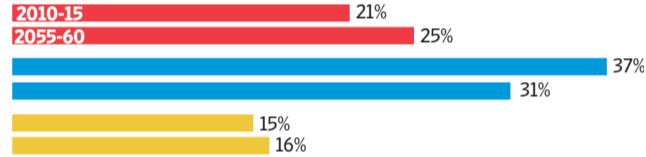
Muslims are projected to account for a larger share of births than Christians in coming decades

■ Muslims ■ Christians ■ Unaffiliated

BIRTHS AS A SHARE OF ALL WORLD-WIDE



DEATHS AS A SHARE OF ALL WORLD-WIDE



Source: Pew Research Center

THE WALL STREET JOURNAL.

ANC Circles the Wagons

Leaders of South African ruling party reiterate support for embattled president

BY GABRIELE STEINHAUSER AND JOE PARKINSON

JOHANNESBURG — The leadership of the African National Congress closed ranks around embattled President Jacob Zuma, seeking to show a united front amid calls for the president to step down.

ANC Secretary-General Gwede Mantashe told reporters on Wednesday that senior officials' dissent over Mr. Zuma's dismissal of respected Treasury chief Pravin Gordhan was "a mistake that should never happen again." He spoke following an extraordinary meeting of top party commit-

tees where factions loyal to Mr. Zuma appeared to comfortably outnumber those calling for his resignation.

Mr. Mantashe had been one of several top ANC officials to openly criticize the removal of Mr. Gordhan and eight other government ministers from the cabinet, saying the party's leadership hadn't been consulted. The public rebukes were echoed by the Communist Party and the powerful Congress of South African Trade Unions, key ANC coalition allies who called for the president's ouster.

Even Deputy President Cyril Ramaphosa, the onetime heir apparent to Nelson Mandela, pledged to renew Africa's most prominent liberation movement under leaders who won't "try to rob the people of this country."

But Wednesday's press conference appeared to cement

Mr. Zuma's control over the ANC's top decision-making bodies—and his reputation as a shrewd political tactician—after arguably the worst week of his scandal-ridden eight-year presidency.

Hours later, Parliament Speaker Baleke Mbete said she would call back lawmakers for a special session on April 18 to debate a no-confidence motion against the president filed by opposition parties—a sign the ANC believes it has the votes to shield Mr. Zuma, the 74-year-old former ANC intelligence chief.

Friday's sweeping shuffle prompted a firestorm of criticism and saw S&P Global Ratings cut South Africa's foreign-currency debt to junk status, becoming the first ratings firm to do so in 17 years. Sporadic street protests against Mr. Zuma have flared in cities

across the country. Opposition parties have called for a national day of action on Friday.

Despite gathering internal dissent, Mr. Zuma has in recent months intensified efforts to stack the ANC's powerful party branches with loyalists ahead of a December conference that will choose his successor as party leader—and candidate for the 2019 national elections.

"Zuma is very likely to survive a motion of no confidence; impeachment efforts and calls for his resignation, including protests, will likely fail," said Darius Jonker at EurasiaGroup, a New York-based political-risk consultancy. "But the ANC will become increasingly dysfunctional, as calls from its alliance partners for Zuma's removal intensify, alongside opposition parties, civil society and the business community."

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Thursday, April 6, 2017 | B1

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Panera Bread Fetches \$7.16 Billion

Fast-casual eatery
agrees to buyout
by owner of Keurig
and Krispy Kreme

BY JULIE JARGON

Panera Bread Co. plans to be acquired for roughly \$7.16 billion, excluding debt, by European investment fund **JAB Holding Co.**, a firm with a fast-expanding collection of brands including Caribou Coffee and Jimmy Choo shoes.

The chain of about 2,000 cafes serving pastries, coffee and sandwiches would be taken private in the deal.

Panera's shares rose 14% to \$312.94 on Wednesday in New

York. JAB agreed to pay \$315 a share in cash for the company.

The St. Louis-based chain has managed to continue increasing sales even as other businesses in the so-called fast-casual segment struggle to attract customers amid fierce competition.

Chief Executive Ron Shaich, who founded the company 36 years ago as Au Bon Pain Co., said in an interview Wednesday that becoming a private enterprise would help Panera maintain an improved level of customer service. "I think businesses operate better in a private setting. I think this deal gives us a competitive advantage," he said. Au Bon Pain became a separate company.

The deal with JAB would allow Mr. Shaich to keep running the company. "Their whole philosophy is to give us space," he said. "There are no expected management

14%

Rise in Panera's share price to nearly \$313 on Wednesday.

changes."

JAB declined to comment through a spokesman.

Panera pioneered the fast-casual segment, which offers fast service and freshly made food. The chain bakes bread

every day in its restaurants. In the past decade it has been reformulating its food to be free of artificial ingredients.

Restaurants in general are experiencing the worst performance since the recession as fewer people eat out, finding it is cheaper and easier to eat at home. The gap between restaurant and grocery prices is the widest it has been in more than 50 years and there are more dining options than ever, ranging from meal-kit delivery services to prepared meals at convenience stores.

Panera is one of the rare chains to tap into consumers' growing appetite for speed and convenience, with 15% of its restaurants now offering delivery and with digital or-

ders making up 24% of sales. On Wednesday, the chain said same-store sales at its company-operated cafes rose 5.3% in its fiscal first quarter, far outperforming the industry.

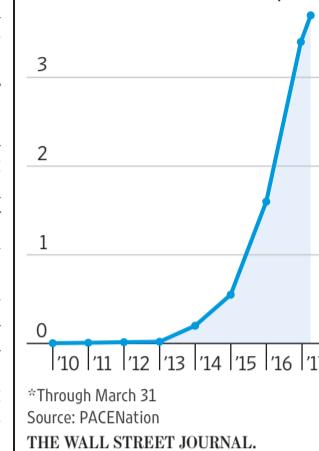
The planned acquisition of a restaurant chain operating at the top of its game came as a surprise to investors who saw no reason for Panera to be a target. And with its stock trading at a record, it wasn't a cheap buy. The agreed-upon purchase price represents a 20% premium to Panera's closing price on March 31, the last trading day before news reports about a potential deal

Please see PANERA page B2

◆ Heard on the Street: Panera short sellers are toast..... B12

Home Improvement

Cumulative PACE financing for residential projects



*Through March 31

Source: PACENation

THE WALL STREET JOURNAL.

Congress Turns Eye To Loan Program

By KIRSTEN GRIND

Momentum is building in the U.S. Senate to rein in a popular government-supported loan program used to finance energy-saving home improvements.

Sen. Tom Cotton (R., Ark.) introduced legislation Wednesday that would require private lenders in a loan program known as Property Assessed Clean Energy, or PACE, to be regulated much like traditional mortgage lenders. The bill's co-sponsors include Sen. Marco Rubio (R., Fla.) and Sen. John Boozman (R., Ark.).

If the bill is successful, it would represent a major change for private lenders such as **Renovate America Inc.**, **Renew Financial Group LLC** and **Ygrene Energy Fund Inc.**, which make high-interest-rate loans on solar panels, air-conditioning units and other energy-efficient appliances.

Companies say they support the addition of consumer protections to the PACE program. "There is no question that PACE should have disclosures and other requirements that are robust, if not more robust, than other types of consumer finance," said Cisco DeVries, who founded the program in 2007 in California and now is chief executive at Renew Financial.

PACE lenders face few restrictions compared with traditional lenders and are minimally supervised through a patchwork of state and county oversight. Partly as a result, PACE loans have become the fastest-expanding type of loan in the U.S.

The proposed legislation follows reports in The Wall Street Journal this year detailing numerous problems arising from the program. Lenders rely on contractors such as plumbers to broker loans and don't do credit checks, causing problems for some borrowers who didn't understand the loan terms and can't afford the debt. Lenders have sprung up because of a lack of financing for energy-saving home improvements and a nationwide push to "go green."

Institutional investors have bought tens of millions of dollars of bond deals backed by the loans.

The bill, called the PACE Act of 2017, aims to amend the Truth in Lending Act, a chief regulation governing big banks and mortgage companies, to include PACE lenders. If the bill is passed, PACE lenders would be forced to disclose to borrowers the amount they would owe over the lifetime of the loan and come up with a standard way for reporting loan terms to borrowers.

Lawmakers say they are optimistic the legislation will pass because it is a small change to existing regulation and it has bipartisan support.

They will also be moved under the purview of a federal regulator—likely the Consumer Financial Protection Bu-

Please see LOANS page B2



The Trump National Doral resort in Miami. Based on public records, the assessed value of Trump-branded clubs hasn't kept pace with spending for long-term upgrades.

Trump Golf Properties Perform Under Par

Trump International Golf Club in West Palm Beach, Fla., boasts 27 holes, a three-level driving range and, since Jan. 20, a pretty decent chance weekend visitors will run into

The extra attention comes at an important moment for Mr. Trump's clubs: Amid a general slump in the golf industry, the value of those properties hasn't kept pace with the amount of money he has invested to make long-term upgrades, according to documents obtained by The Wall Street Journal through public-records requests. A number of the golf clubs have frozen or reduced initiation fees in recent years, employees say.

The Trump Organization's 18 golf clubs in the U.S. and overseas are a core part of his business empire, which the president continues to own via

a trust run by his adult sons. The properties account for more than half the total revenue Mr. Trump reported last year in a federal financial disclosure filing.

The golf industry continues to suffer from the effects of the 2008 recession as well as declining participation. The number of people playing in the U.S. dropped from a peak of 30 million in 2005 to 24.1 million in 2015, according to the National Golf Foundation.

"Golf is a tough business," said Larry Hirsh, a founder of the Society of Golf Appraisers, which estimates the values of golf courses on behalf of prop-

erty owners, local governments and others. "There are clubs where memberships are going back up...but they've had to drop their fees."

The finances of Mr. Trump's U.S. clubs are private. But their values are assessed each year by local governments for tax purposes. In most states, the main criteria include a club's revenue and expenses.

The most recent valuations of Mr. Trump's 10 U.S. clubs with tax assessments—most of them for 2016—total \$266 million, according to local property and tax records reviewed by the Journal. That is up \$24 million, or about 10%, from

their value in 2012.

But that increase in value falls well short of the \$310 million that Mr. Trump's company has said in news releases or media reports it has spent on renovating the properties during that same period, including \$250 million on upgrading the Trump National Doral resort in Miami. That means the net value of the clubs after investment has declined significantly over the last five years.

A White House spokeswoman referred questions to the Trump Organization. A spokeswoman for the Trump Organization said it was proud

Please see GOLF page B2

Elizabeth Holmes Owes Theranos \$25 Million

BY CHRISTOPHER WEAVER

Theranos Inc. founder Elizabeth Holmes, whose once-\$5 billion stake in her blood-testing firm has shriveled amid regulatory and legal challenges, also owes her company about \$25 million, people familiar with the matter said.

The disclosure of the debt was included in a deal document Theranos circulated to a select group of current investors with whom the firm seeks to trade shares from Ms. Holmes's personal stake in exchange for a promise not to see the company or its executives, the people said.

A Theranos spokeswoman declined to comment on the debt or to make Ms. Holmes available to comment.

The \$25 million Ms. Holmes owes Theranos comes from an agreement between her and the company that allowed her to exercise options to buy more stock without having to pay upfront. Instead, she

Please see HOLMES page B6

Grade-Inflation on the Internet: Why Star Ratings Are Broken

You know what I'd award zero stars? Most of the star ratings you see online.

I ran a little experiment tallying all the duct tape sold

on Amazon. Of the 250 types and sizes, the average rating was 4.2 stars.

On Yelp, I looked up gelato joints in San Francisco: More

than half get either 4.5 or 5 stars. And I can't recall ever seeing an Uber driver with a rating lower than 4.3 stars.

But wait, there's less:

Online product ratings average about 4.3 stars all together, says PowerReviews,

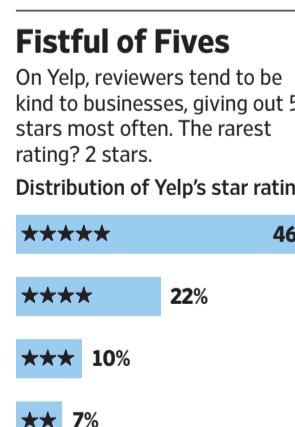
which runs ratings for more than 1,000 online shops.

No doubt, online ratings can help weed out bad products, put sketchy restaurants out of business and keep dangerous drivers off the road. But I refuse to accept that everything on

Fistful of Fives

On Yelp, reviewers tend to be kind to businesses, giving out 5 stars most often. The rarest rating? 2 stars.

Distribution of Yelp's star ratings



Source: the company

president of product innovation. More data, plus actual viewing behavior, allows Netflix to make personalized suggestions, represented as a percent match. It's like a dating site for movies.

Star ratings were borrowed from professional critics and now are often misused to harvest the wisdom of the crowd. But people need help interpreting the results. "Is three stars good or bad? I can't think of a platform that has nailed it," says Michael Luca, an assistant professor at Harvard Business School who studies information design.

It's partly our fault: We're far too nice. Evidence shows we're much more likely to give positive ratings than bad ones. Yelp says 46% of the reviews we give local businesses are five stars. That may just be human nature: You chose this restaurant, so how could it be anything less than a five?

Please see FOWLER page B4

INSIDE



WELLS FARGO TURNS UP MORE ABUSES

BANKING, B6



JEFF BEZOS SEES TOURISTS IN SPACE BY '18

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Fox and Megyn Kelly in Agreement

Fox News and Megyn Kelly are finally on the same page about her employment status.

Last month, Fox News said Ms. Kelly, former host of "The Kelly File," had been released from her contract several months in advance of its expiration date. That would free her to start working at NBC News, where she will host a daily morning show and weekly Sunday show.

However, at that time Ms. Kelly's spokeswoman, Leslee Dart, said that wasn't the case and that the two sides were

still negotiating final terms. Fox News disputed that claim.

On Wednesday, Ms. Dart said those talks have been resolved and Ms. Kelly has just signed a contract with NBC News, a unit of Comcast Corp. An NBC News spokeswoman declined to comment. News of Ms. Kelly reaching an accord with NBC was earlier reported by Variety.

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

—Joe Flint

more information on the loans "to protect themselves so they don't risk financial ruin."

The loan program "can result in homeowners being misled about the terms of their loan," Mr. Sherman said.

Last year, the PACE industry made \$1.6 billion in loans, up about 28% from 2015, according to an industry trade group. Lenders have made a total of \$3.7 billion of loans since the industry was founded. By comparison, conventional mortgages increased about 15% in 2016, according to Inside Mortgage Finance.

PACE loans are placed on a homeowner's tax bill as an assessment and average about \$25,000. In the event of a de-

GOLF

Continued from the prior page of its work with the properties and that it would continue to invest in "the game of golf."

"Our clubs are performing incredibly well and we have amazing teams working hard to provide the ultimate luxury golf experience," the spokeswoman said.

Since his Jan. 20 inauguration, Mr. Trump has paid 14 visits to his golf clubs, often bringing with him members of his cabinet or foreign leaders.

The Palm Beach golf club "has the ultimate perk—the president is going to show up," said Sid Dinerstein, a former Palm Beach County Republican Party chairman. He said a recent all-you-can-eat seafood buffet at the club, attended by Mr. Trump, was "overflowing" with paying guests hoping to catch a glimpse of the president.

Mr. Trump bought many of the clubs after prices crashed in the 2008 recession. In the past, he has said the property assessments don't reflect the clubs' true market value, including the development potential of the underlying land.

In some cases, owners of golf courses try to persuade assessors to lowball clubs' value to minimize tax bills. The values of Mr. Trump's properties sometimes reflect a compromise between one number calculated by the taxing authority and a lower figure argued by Mr. Trump's team.

A rare glimpse of a Trump U.S. club's income and expenses came in a tax appeal by the Trump Organization last year when his Doral resort near Miami disclosed an operating loss of \$2.4 million for 2014. That figure doesn't include payments on \$125 million of loans on the property.

The Doral club in March was offering a 20% discount on its joining fee, cutting it to \$40,000 from \$50,000, according to a Doral employee. Such end-of-season offers are common in the golfing industry, ac-

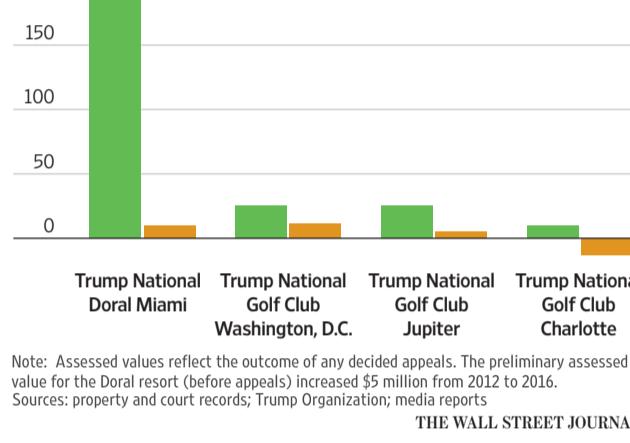
BUSINESS & FINANCE



President Donald Trump at Trump International Golf Club in West Palm Beach, Fla.

In the Rough

The Trump Organization's investment in golf resorts in the last five years appears to have outpaced the increase in values assessed for local tax purposes.



Note: Assessed values reflect the outcome of any decided appeals. The preliminary assessed value for the Doral resort (before appeals) increased \$5 million from 2012 to 2016.

Sources: property and court records; Trump Organization; media reports

THE WALL STREET JOURNAL.

cording to a person close to the Trump Organization.

In New York, the assessed value of the Trump golf club in the Hudson Valley fell 23% last year to \$4.6 million from \$6 million in 2015—after the Trump Organization argued the true value was just \$2 million.

John Hickman Jr., supervi-

sor for the Town of East Fishkill, N.Y., said the reduction reflected lower revenue in the industry.

"People aren't golfing a lot and we're pretty saturated with golf courses these days," he said.

Unlike Mr. Trump's U.S. clubs, those in Scotland and Ireland issue public financial

statements. All three reported losses for their most recent reports. The losses were attributed to development work.

Mr. Trump's recent upgrades aren't necessarily translating into higher membership fees, the Journal found.

Mr. Trump's company spent \$25 million renovating its club in Washington, D.C., which Mr. Trump has visited four times in the past month. The project included cutting down more than 400 trees to give players a better view of the Potomac River, as well as building a new championship course.

In 2015, when the overhaul was unveiled, the joining fee was close to \$100,000, the Washington Post reported at the time. This year, the fee was \$60,000, according to the club's membership pamphlet. (The monthly dues have gone up from a reported \$698 in 2015 to \$800 now.)

At Trump's Mar-a-Lago Club in Florida, where there is no golf course, the joining fee was doubled over several months to reach \$200,000 in January, according to Bernd Lembcke, Mar-a-Lago's managing director. Its number of members has risen over the past year, he added.

Some investors also are getting skittish. The New York-based Heron Foundation, with a goal of tackling poverty, said it divested of its PACE bonds after reading about borrower problems in the Journal and is separately looking into how the loans are made.

The foundation is concerned that PACE lenders bypass "traditional underwriting procedures," like a homeowner's ability to repay the loan, it wrote in a blog post explaining the decision.

"Skipping these investigations can lead to a big jump in the cost of homeownership—and potentially to the loss of the home," the foundation wrote.

LOANS

Continued from the prior page reau—for the first time. A similar bill was introduced Wednesday by Rep. Brad Sherman (D., Calif.) in the House.

"Predatory green-energy lenders are out changing state and local laws ultimately to trick seniors and other vulnerable Americans to take out high-interest-rate loans, without proper disclosure of interest rate or fees," Sen. Cotton said.

Sen. Rubio said "PACE loans should have to play by the same rules as other forms of home financing." Sen. Boozman said homeowners need

fault, they are given priority over a homeowner's mortgage.

States, enticed by offering clean energy to constituents, first must pass legislation al-

lowing the program to operate. Then, local governments, which ultimately will collect a homeowner's taxes, vote to sign on.

PACE lenders have spent

years lobbying federal government agencies, the White House and state and local legislators to facilitate the program's nationwide expansion, according to state records and local officials. But PACE is facing mounting criticism nationwide from regulators, investors and government officials as borrower problems worsen.

In California, several state agencies have asked Gov. Jerry Brown to make regulatory and legislative changes to help fight against borrower abuse, say people familiar with the requests.

A spokesman for the governor's office said it supports bolstering consumer protections and "discussions are un-

der way with legislators, consumer groups and others to do just that."

One of private lender Renovate America's largest and oldest partnerships is with a collection of Southern California governments known as the Western Riverside Council of Governments. The group is starting to register concerns about its relationship with the company, according to emails released to the Journal through a public records request.

The council is reviewing its partnership with Renovate America through an outside examiner, according to county records. Renovate America said it supports the review.

Continued from the prior page surfaced. The buyout includes the assumption of about \$340 million of Panera's debt.

Some analysts said Panera was attractive because of the possibility of gleaning even better returns by franchising more of its restaurants. That could accelerate its expansion in the U.S., where some analysts see the potential for at least 1,000 more restaurants. Only about 56% of Panera restaurants are currently operated by franchisees.

Many restaurant companies are moving to a fully franchised model, which provides more stable revenue and less risk for the parent company at a time of rising wages. Analysts also say that while Panera is relatively lean, there may be room for cost cutting.

"JAB brings coffee expertise, and could help Panera increase the breakfast business, which accounts for 18% of sales," analysts at Cowen & Co. wrote.

JAB has built a far-flung

collection of household brands while keeping a low public profile. In May 2016, it notched a \$1.35 billion deal to buy Krispy Kreme Doughnuts Inc. Earlier that year, a JAB-led investor group completed its acquisition of Keurig Green Mountain Inc. for about \$14 billion. The Luxembourg-based investment fund—a money manager for Germany's Reimann family—has more than \$50 billion in assets under management.

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BUSINESS NEWS

Jeff Bezos Plans to Put Tourists in Space by '18

By ANDY PASZTOR

COLORADO SPRINGS—Looking to start space-tourism flights in 2018 that he predicts will open the floodgates for a new breed of entrepreneurs, **Amazon.com Inc.** Chief Executive Jeff Bezos said in some years he has personally invested up to \$1 billion to further those goals.

Flanked by a New Shepard rocket featuring the telltale scorch marks of multiple flights, Mr. Bezos appeared before a gaggle of reporters during a conference here Wednesday to lay out his vision for **Blue Origin LLC**, the company he founded more than a decade ago to lower launch costs and make reusable rockets a reality.

He said he was "hopeful" that Blue Origin will begin offering trips for paying customers next year, adding that "I'm super optimistic" there will be a large market for such 11-minute thrill rides in a fully automated capsule offering views of the earth from the edge of space. Blue Origin hasn't yet set a price or begun marketing efforts.

But in his remarks, the often secretive Amazon chairman also laid out a much broader, longer-term vision of how Blue Origin's accomplishments so far and its plans for the future are poised to usher in a "golden age of space exploration."

Wearing dark glasses, casu-

ally dressed and sometimes cracking jokes, an upbeat Mr. Bezos reiterated his argument that lowering launch costs promises a revolution in entrepreneurship and could provide a major boost for an array of startup companies world-wide. He said reaching the goal of affordable space access depends on three variables: talented people, money and patience. "And we have all three," he said.

As one of the world's most successful and widely known entrepreneurs, Mr. Bezos has pumped big chunks of his fortune into Blue Origin. Until Wednesday, however, he kept the amount confidential.

But in response to questions about the company's finances, he said: "I sell about \$1 billion a year of Amazon stock, and I use it to invest in Blue Origin."

In another disclosure about development of a future reusable, heavy-lift rocket called New Glenn—named for late astronaut John Glenn—Mr. Bezos estimated that project alone could cost as much as \$2.5 billion.

Veteran space industry officials said the visual trappings of Wednesday's event, with the entrepreneur standing on a stage against the backdrop of snow-capped peaks of the Rocky Mountains, partly reflected the simmering rivalry between Mr. Bezos and entrepreneur Elon Musk.

Last month, Mr. Musk's **Space Exploration Technologies Corp.** made history by successfully launching and then vertically landing the main part of a Falcon 9 booster for a second time—after sending a huge commercial satellite into orbit. Blue Origin accomplished a similar feat earlier and did it multiple times, though New Shepard is smaller, typically flies to a lower altitude and hasn't launched any satellites.

Asked about Mr. Musk's efforts, Mr. Bezos said "we're very like-minded in a lot of ways" but the "engineering approach is a little bit different."

PepsiCo Pulls Ad Featuring Kendall Jenner Following Outcry



PEPSI

PepsiCo Inc. is yanking a commercial that united liberals and conservatives in a backlash that swept across social media.

The 2½-minute spot, developed by Pepsi's in-house Creators League Studio and released online Tuesday, focuses on racially diverse protesters marching with signs declaring "Love," "Peace" and "Join the Conversation." A star of the ad

is Kendall Jenner, a model and personality on the reality-television show "Keeping Up with the Kardashians," portraying a model in a photo shoot who peels off her blond wig, wipes off her lipstick and joins the protesters as they approach a line of stone-faced police officers.

At the ad's climax, she hands an officer a can of Pepsi. He

cracks it open, and the crowd cheers.

Criticism of the commercial erupted online almost immediately, before the ad aired on TV. Some critics called it a tone-deaf depiction of the Black Lives Matter movement, while others accused it of being slanted against law enforcement.

"Pepsi was trying to project

a global message of unity, peace and understanding. Clearly we missed the mark, and we apologize," a Pepsi spokesman said. "We did not intend to make light of any serious issue. We are removing the content and halting any further rollout. We also apologize for putting Kendall Jenner in this position."

—Jennifer Maloney,
Suzanne Vranica

Ahead of Changes, Firm Exits Drug Group

By JOSEPH WALKER

A manufacturer of expensive branded drugs and generic opioids resigned from the Pharmaceutical Research and Manufacturers Association on Monday ahead of potential changes to the trade group's bylaws that could exclude companies that don't spend significant funds on researching and developing new drugs, according to a person familiar with the matter.

The Washington-based group, which represents many of the largest global drugmak-

ers, will vote on changes to its membership criteria at its next board meeting in May, the person said. The changes, if approved, would require that members are committed to conducting significant medical and scientific research, though the person didn't say what the specific criteria would be.

The drug company, **Mallinckrodt PLC**, decided to resign from the group in anticipation of the membership criteria being changed by the board next month and possibly excluding the company, the

person familiar with the matter said.

"Mallinckrodt routinely evaluates its engagement in trade associations and policy organizations and has concluded that the significant financial and time commitment required as a full PhRMA member outweighs its direct policy value to us at this time," the company said.

A PhRMA spokesman said the group's review of its membership criteria would be completed in the next few weeks.

The proposed membership changes suggest that PhRMA,

whose members include Pfizer Inc. and Merck & Co., has grown weary of being associated with companies like Mallinckrodt that have smaller R&D operations than PhRMA's larger members, relying in part on a different strategy: acquiring drugs developed elsewhere and then significantly raising prices.

Amid increasing public scrutiny of rising drug prices, the group is focused on fending off any potential legislative changes that would constrain the industry's pricing power.



MATTHEW STAVER/BLOOMBERG NEWS

Blue Origin founder Jeff Bezos

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TECHNOLOGY

WSJ.com/Tech

Apple Pay Struggles to Gain Traction

BY TRIPP MICKLE

Nancy Schrum watched curiously as a colleague from her law firm waved an iPhone above a credit-card reader to buy a Subway sandwich with Apple Pay earlier this year.

"I have that, but I'm afraid to use it," said Ms. Schrum of York, Pa., who feared the technology wouldn't work.

When Apple Inc. launched its mobile-payment service more than two years ago, it hoped to speed up the checkout process and, ultimately, to replace physical wallets for U.S. consumers.

Apple Pay has made significant headway, but Ms. Schrum's wariness reflects a range of factors that analysts say have caused growth to undershoot their expectations, including security concerns about the service, retailers that don't accept it, and Apple's relatively paltry marketing.

The pace of Apple Pay adoption has been "disappointing even to conservative expectations," said Gene Munster, managing partner at Loup Ventures, a venture-capital firm specializing in tech research. Just 13% of the estimated 680 million iPhone users have used Apple Pay, according to the research firm.

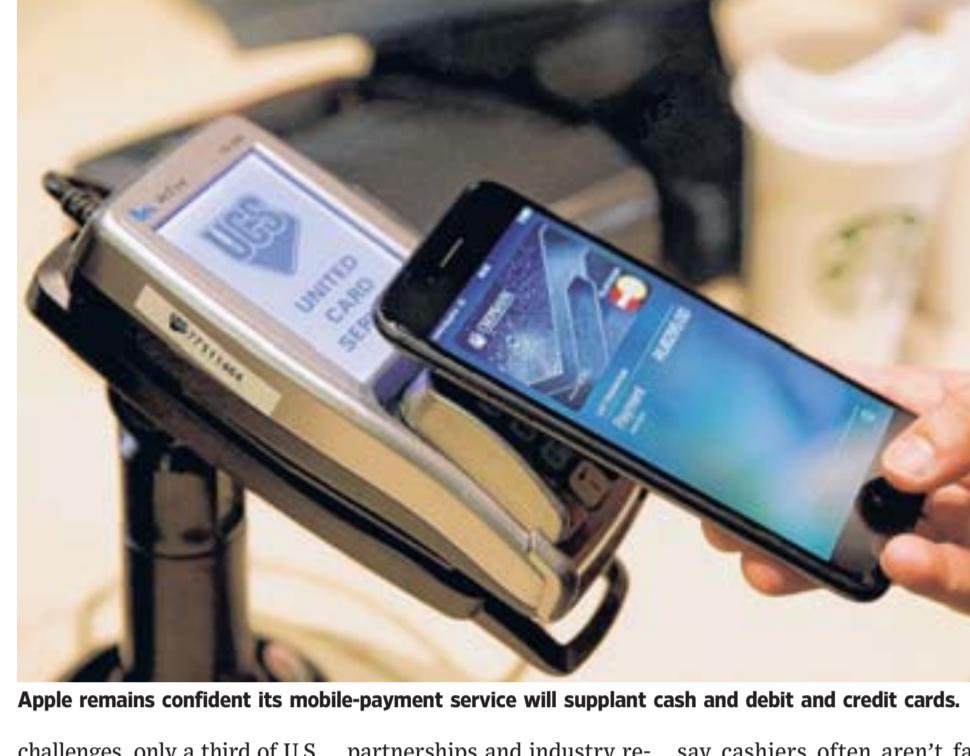
Eddy Cue, Apple senior vice president in charge of internet software and services, said the service has been adopted faster than other payment systems and he believes it will eventually replace cash, debit and credit cards as the primary payment system.

"Does it matter if we get there in two years, three years [or] five years?" Mr. Cue said in an interview. "Ultimately, no."

The service requires users to upload their credit or debit card to their iPhone wallet by scanning an image of it. To pay at the checkout line, they hold the phone—or Apple Watch—above a contactless payment terminal that uses a technology known as near-field communication to transmit the card's information. Fingerprint verification is required for security. The service can also be used to pay in apps and online.

Many U.S. consumers remain wary of such a service, according to technology research firm Creative Strategies: 40% are concerned about the security risks of adding a credit or debit card to their phone, and more than 60% aren't familiar with contactless payments.

Compounding Apple Pay's



Apple remains confident its mobile-payment service will supplant cash and debit and credit cards.

challenges, only a third of U.S. stores accept it as a form of payment, according to the Nilson Report. The payment-industry trade publication notes, however, that the service's rate of acceptance has more than doubled since 2015.

"If you can't use it everywhere, why are you going to switch?" said Braden More, Wells Fargo & Co.'s head of

partnerships and industry relations, who expresses surprise that more retailers haven't embraced mobile payments. He expects acceptance and usage to grow.

Big names including Walmart Stores Inc. and Kroger Co. haven't yet enabled Apple Pay, due in part to technical hurdles, and even at stores that do use the service, users

say cashiers often aren't familiar with it.

Paul Davis said he recently had to inform a McDonald's cashier in Cincinnati that the burger chain accepted Apple Pay and show her how. "It happens all the time," he said.

Vice President of Apple Pay Jennifer Bailey said Apple has a team working with merchants to instruct cashiers

and add instructions to checkout manuals. She said more than half of the biggest 100 merchants in the U.S. have adopted Apple Pay, including Best Buy Co., Kohl's Corp. and Starbucks Corp.

Loup Ventures' Mr. Munster, a longtime Apple analyst previously with brokerage Piper Jaffray Co., estimates Apple Pay last year handled \$36 billion in transactions, far less than the \$207 billion he had predicted by 2016 after Apple started the service.

Apple doesn't disclose the number or value of Apple Pay transactions, but Chief Executive Tim Cook recently said the number of users has tripled over the past year and transaction volume increased more than sixfold last year.

Apple Pay brought in \$30 million in revenue last year, according to Sanford C. Bernstein—a fraction of the \$24.35 billion generated last fiscal year by Apple's services unit, which also comprises Apple's App store and iTunes. The company announced in January it aimed to double its services revenue by 2021. Apple Pay generates revenue from charging banks a slice of each transaction, often 0.15% per credit-card transaction and a half cent per debit-card purchase

FOWLER

Continued from page B1

star decision?

It gets worse when apps use ratings to evaluate workers. Uber drivers can get the boot for relatively minor ratings dips, though the company won't specify the cutoff. It feels socially awkward to give less than five stars. Uber's stars aren't for finding good drivers, they're for flagging bad ones.

Yelp is using star ratings to surface the best local businesses. But when every gelato shop has an above-par

rating, we need other factors to pick a winner. That's one reason Yelp requires participants to leave written reviews. The downside: We have to trust the taste of people who have time to write Yelp reviews.

And then there's cheating. Apps inflate ratings by asking if users are happy before prodding them to write a review. (Not happy? Here's customer service.) I've seen Uber drivers offer to end the ride early, shaving a bit off the price, in exchange for a five-star rating. And that's not counting reviews by paid shills or internet trolls.

Amazon brought lawsuits against over 1,000 defendants for abuses such as purchasing fake reviews; last year, it changed its star system to give more weight to the most helpful reviews and those from verified purchasers. Airbnb discovered it got more accurate reviews when it made them double-blind in 2014: Hosts and guests don't see each others' reviews before posting.

There's tension between simplifying ratings to get more people involved, and asking for more details to make ratings more useful. When Netflix tested thumbs, it found participa-

tion rates doubled to 40%. Despite the loss of star-specific granularity, Netflix says people are also more honest with thumbs, which allows its software to make suggestions that actually stick.

Uber also tested thumbs, along with smiley-face emojis, but says the alternatives made riders even more overly positive—and resulted in lost feedback for drivers.

Uber did add menus to its five-star system for rider compliments and specific criticisms.

To make star ratings less inscrutable, TripAdvisor presents both averages and

rankings. San Francisco's Maritime Museum has 4.5 stars, for example—but is actually only the city's 152nd best attraction.

Yelp's search results are ordered not just by average rating, but also by number of reviews, how recent they are and your distance from the business. Its top-listed SF taco joint, El Farolito, has just four stars... but more than 4,000 reviews.

Replacing star systems won't be easy, because we have become accustomed to them. "All kinds of companies have attempted to create other scales, and most of them end up reverting back

to five-star ratings," says Matt Moog, chief executive of PowerReviews.

What we really want is for these companies to get us. Alas, ratings get better when companies track more about what you are doing—whether you actually bought the product or ate at the restaurant. Netflix's insights are brilliant because the company knows what you stopped watching after 10 minutes.

A personalized recommendation is better than a four-point-whatever star rating any day of the week, but you only get it when you're really plugged in.

Uber's Only Female Director Vows to Change Its Culture

BY GEORGIA WELLS

Media mogul Arianna Huffington is taking a starring role in **Uber Technologies** Inc.'s effort to overcome recent scandals.

The results could set her up to be a hero to women in the tech industry—or risk her credibility if the ride-hailing company doesn't change.

Ms. Huffington, the only woman on Uber's board and an investor, is helping drive an investigation into allegations of sexual harassment at the company. She has also pledged sweeping changes to Uber's culture, which employees say fosters fierce competition for management approval while tolerating bad behavior by high performers.

Her friendship with Uber's founder and chief executive, Travis Kalanick, means she has his ear. She is also positioned to call for broad changes, such as her comment last month that Uber will exclude "brilliant jerks" in its search for a new executive to work with Mr. Kalanick.

But her ties as well could diminish the independence necessary to tackle Uber's problems. In what experts see as a misstep, she surmised from interviews with staff members in late March that sexual harassment wasn't a "systemic problem"—before the investigation was complete. The probe is expected to conclude this month.

"Saying something isn't a systemic problem right off the bat is not a judgment that indicates an investigation is impartial," says Y-Vonne Hutchinson, founder of ReadySet, a diversity consulting firm that works with many Silicon Valley tech companies.

People close to Ms. Huffington say she stands up to Mr. Kalanick. "Anyone who knows Arianna—I do—knows she doesn't pull punches," says Rosabeth Kanter, a professor of strategy and management at Harvard Business School. "The more important question is whether the CEO and other key executives will listen and take new actions."



Media mogul Arianna Huffington is helping lead an investigation into allegations of sexual harassment at ride-hailing service Uber.

media call. Uber declined to comment on allegations of systemic sexism.

Ms. Huffington immediately jumped to action after the blog post, announcing on Twitter the same day that she would be helping with an investigation of the claims "starting now."

The first day of work after Ms. Rigetti's blog post, Ms. Huffington met with employees at Uber's weekly all-hands meeting. She also invited employees to schedule talks with her in a conference room in Uber's San Francisco headquarters, according to emails viewed by The Wall Street Journal.

Ms. Huffington, 66 years old, has run her own businesses, including co-founding the Huffington Post. In parallel, she has weighed in on women's issues for decades.

She wrote a book in 2006, "On Becoming Fearless...in Love, Work, and Life," that was meant to empower women. Her 2014 book "Thrive" placed blame on companies that expect employees to be wired in and responsive around the clock—something employees have said of Uber.

Ms. Huffington began talking to Uber about "changing the burnout culture at Uber" shortly before the allegations of sexism. An internal survey showed "widespread stress and burnout," Ms. Huffington said in an email.

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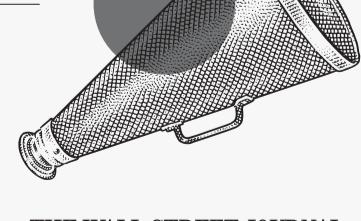
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BUSINESS EDUCATION

JULIA ROBINSON FOR THE WALL STREET JOURNAL



Rena Pacheco-Theard started a test-preparation venture while she was a business student at MIT.

Schools Woo Entrepreneurs

M.B.A. programs hope to bolster a shrinking pool of applicants

BY KELSEY GEE

Millennial entrepreneurs are starting to hear an unlikely piece of advice when their ventures stall: consider an M.B.A.

Graduate business programs from Columbia University in New York to the University of California, Berkeley, Haas School have spent millions of dollars building innovation centers and creating venture-capital funds in recent years.

They are adding new courses and deploying industry veterans to teach, all in an effort to recruit more would-be founders.

A quarter of prospective M.B.A. students aimed to start a business in 2015, according to the latest Graduate Management Admission Council survey, up from 20% in 2010. Even so, academia has been slow to adapt, with fewer than 10% of graduate business programs offering degrees in entrepreneurship last year, according to the Association to Advance Collegiate Schools of Business.

The ballooning resources for student ventures reflect a streak of opportunism among

young entrepreneurs in need of funding and university admissions officers, who can proudly plug graduates' startups on their schools' websites. Some administrators hope the increasing interest among millennials to create companies—rather than pursue traditional post-M.B.A. careers like investment banking—will reinflate a shrinking pool of applicants to U.S. business schools.

"More of our students have started multiple businesses already by the time they arrive," said Sara Neher, assistant dean of admissions at the University of Virginia's Darden School of Business.

"For those that have failed, when they talk to us about why they're applying, it's often 'I didn't have the business skills to make it work,'" said Ms. Pacheco-Theard.

Ahead of the pack, Darden admissions officers now host M.B.A. recruiting events at startup incubators in New York City, San Francisco and Washington. The school pitches perks like free tuition for a handful of seasoned founders.

Once they are on campus, student entrepreneurs can enter competitions for seed "money with no strings attached," said Ms. Neher.

Tapping into the market of hopeful founders, the University of Texas in Austin's Mc-

Combs School of Business invites prospective students to a "Shark Tank"-style pitch competition for as much as \$20,000 in scholarships to cover tuition. Annual applications have doubled to 30 since the scholarship's 2013 launch, and all but one of the nine winning entrepreneurs have chosen to enroll.

Rena Pacheco-Theard applied for a master's degree in business at Massachusetts Institute of Technology's Sloan School of Management as the company she started with her husband, Dan Driscoll, struggled.

"I knew I wanted to do work with high social impact, but the business side of my resume was missing," said Ms. Pacheco-Theard.

During her second semester at MIT, she started a new venture called Prepify, which provides test preparation services to low-income high-schoolers. She used roughly half of her business-school class time to fine-tune the startup's model.

She left MIT last spring with a degree, a co-founder classmate and a total of \$15,000 in funding from the school. "Becoming a real entrepreneur became a distinct reality for the first time at Sloan," said Ms. Pacheco-Theard.



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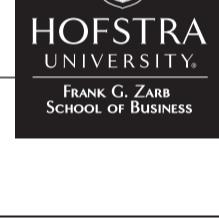
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BUSINESS & FINANCE



Wells Fargo has fired at least two dozen employees of its merchant-services division over two years.

Wells Uncovers More Abuses

Internal probe finds false reporting in card-processing work for small businesses

BY EMILY GLAZER AND RUTH SIMON

Wells Fargo & Co. has overhauled its credit-card-processing business after an internal probe found some employees falsely reported customers' sales and pushed small firms into costly contracts they didn't understand.

The bank has fired at least two dozen employees of Wells Fargo Merchant Services LLC in the past two years for those and other bank-policy violations, according to current managers. Wells Fargo also restructured the group last fall to reduce the incentives for using aggressive sales tactics, the executives said.

The actions, which haven't been previously reported, show how Wells Fargo's sales-tactics problems extended beyond its consumer bank. That business was hit by last fall's revelation that employees opened as many as 2.1 million consumer-banking accounts without customers' knowledge.

to meet lofty sales goals.

Wells Fargo discovered the full scale of abuses in the merchant-services business after undertaking a broad examination of the bank's business practices in light of the account-opening scandal.

Wells Fargo said it has taken "significant steps" over the past several years to strengthen Wells Fargo Merchant Services, its merchant-processing unit for credit- and debit-card payments. The bank had fired some merchant-processing employees before the wider scandal broke last fall. After taking a deeper look into the business in the wake of those problems, it terminated several other employees and revamped the division.

Merchant processing, which involves helping businesses handle debit- and credit-card transactions for customers, might seem like a mundane business. But small-business owners and industry participants say high-pressure sales tactics are common. They add that complex pricing structures and costly early-termination penalties that can lock customers into contracts are also prevalent.

Merchant processors collected about \$18.15 billion in

debit- and credit-card fees from merchants in 2016, according to the Nilson Report, a newsletter tracking the payments industry. Banks such as Wells Fargo, Bank of America Corp. and J.P. Morgan Chase & Co. are among the biggest players.

Wells Fargo fired some staff in this business for policy violations after uncovering evidence that employees coached branch bankers to put false information into the bank's systems about small-business customers' sales, the current managers said.

Firms with annual sales of less than \$750,000 seeking to open accounts were automatically routed to call centers, under Wells Fargo policies at the time. To earn commissions, sales representatives sometimes inflated sales figures so they surpassed the threshold.

As part of its broader overhaul of sales tactics last fall, the bank ended the practice of allowing retail-branch bankers to refer small-business customers to merchant-services employees without manager consent. That has caused referrals to the merchant-services unit to fall more than 50%, a former employee said.

HOLMES

Continued from page B1
agreed to pay the company for the shares later, one of the people said.

Ms. Holmes didn't get any company cash from the arrangement, the person said. It isn't clear when the pact was struck. The company has the ability to release Ms. Holmes from the debt or cancel the shares, the person said.

"It subverts the entire premise of an option grant," said Nell Minow, vice chair of ValueEdge Advisors, a corporate governance consulting firm, who said such grants are traditionally meant to encourage executives to produce results for their shareholders. The deal between Theranos and Ms. Holmes means "any downside is someone else's risk," Ms. Minow said.

Closely held companies like Theranos often make loans and other agreements to top executives, said Charles Elson, a management professor at the University of Delaware. Publicly traded companies are generally barred from financing executives' exercise of stock options by the Sarbanes-Oxley law, he said.

Ms. Holmes has never sold any of her shares, including those associated with the debt, people familiar with the matter said.

Investors who agree not to sue Theranos would receive a significant portion of Ms. Holmes's holdings, which currently amount to over 50% of the company, people familiar with the pending offer said. Investors have until April 14 to choose whether or not to accept the deal, which would go into effect then. The Wall Street Journal first reported on the deal last month.

People close to Ms. Holmes say she has lived an austere lifestyle and has been intensely focused on the company since she founded it in 2004. She has led Theranos through increasingly intense scrutiny from investors, regulators and law enforcement in the months since an article in the Journal raised questions



Theranos Inc. founder Elizabeth Holmes

about the firm's technology and practices.

The company closed its labs last year under pressure from regulators, saying it would shift its focus to developing lab devices to sell to others. It faces civil and criminal federal investigations that have examined the claims the company made about technology it said could do dozens of lab tests on a few drops of blood. Theranos has said it is cooperating with the probes.

Theranos also is fighting suits that allege it overstated its technology and capabilities by plaintiffs including its former retail partner Walgreens, a unit of Walgreens Boots Alliance Inc.; a hedge fund that invested nearly \$100 million in the firm; and limited partners in funds that bought Theranos shares, which seeks class-action status.

The suits seek a combined total of around \$240 million from Theranos—far more than the roughly \$150 million the company has remaining, according to a person familiar with the firm.

Theranos has said the suits are without merit, and argues that the plaintiffs seeking class action lack standing because they didn't invest directly.

The plaintiffs in that case, including retired Silicon Valley deal maker Robert Colman, asked a magistrate judge in federal court in San Francisco last week to delay the deal. Theranos wants to strike with investors pending a court review to determine whether it would interfere with their case.

The filing called the ar-

rangement "an unprecedented campaign to preempt" their case by selectively settling with only some investors.

The judge agreed to hear arguments over that motion on Friday. Mr. Colman bought an interest in a Lucas Venture Group fund that existed solely to invest money in Theranos, according to court filings.

Lucas Venture Group told investors it had agreed last week to participate in the deal with Theranos, the filing said. Lucas Venture Group declined to comment.

Theranos said in a court filing Wednesday that the investors who are participating in the deal consist of "approximately 40 funds, family offices, and wealthy individuals with average investments of approximately \$17.5 million" who are highly sophisticated and are well apprised of the company's legal risks.

Theranos's filing said the company had been negotiating the proposed deal with its most recent investors—those who bought certain series of shares first registered in 2010 and 2014—since August. The filing said the investors initiated the negotiations, and that the deal hadn't been conceived to undermine Mr. Colman's case against Theranos.

Most investors who were offered the deal signaled they will take it, according to people familiar with the matter. The Journal attempted to contact more than 120 Theranos investors last week by email. Most declined to comment, said their shares weren't covered by the deal, or didn't respond.



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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

		Last	Year ago
20648.15	▼41.09, or 0.20%	21.06	18.10
High, low, open and close for each trading day of the past three months.		P/E estimate *	17.72
		Dividend yield	2.36
		All-time high	21115.55, 03/01/17
Current divisor 0.14602128057775			
Session high	DOWN	UP	Close
Session open	Open	Close	Session low
65-day moving average	19,000	19,500	20,000
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24,500	25,000	25,500	26,000
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Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Open	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,6400	2,6870	2,6400	2,6755	0,0695	1,541	
April	2,6200	2,6950	2,6135	2,6800	0,0680	120,250	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1255.40	1255.40	1243.00	1245.40	-9.60	2,367	
June	1258.20	1259.30	1245.40	1248.50	-9.90	307,520	
Aug	1260.90	1262.40	1248.80	1251.80	-10.00	41,808	
Oct	1263.50	1265.50	1252.00	1255.00	-10.50	5,992	
Dec	1267.80	1268.70	1255.70	1258.30	-9.90	43,894	
Feb'18	1268.20	1271.50	1261.70	1261.50	-9.90	7,349	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	878.00	803.45	788.00	807.75	0.80	5	
May	809.75	809.75	809.75	807.75	0.80	3,358	
June	807.70	816.45	801.80	807.75	0.80	32,946	
Sept	803.00	815.00	803.00	808.05	0.90	958	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	960.30	964.40	955.60	956.40	-4.80	225	
May	968.40	975.30	960.00	963.10	-5.00	3,358	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	18.25	18.25	18.165	18.166	-0.136	405	
May	18.320	18.325	18.145	18.187	-0.136	155,439	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	51.18	51.88	50.74	51.15	0.12	545,892	
June	51.63	52.33	51.20	51.60	0.09	337,612	
July	52.00	52.67	51.58	51.95	0.37	144,283	
Sept	52.44	53.10	52.05	52.42	0.05	171,816	
Dec	52.80	53.39	52.38	52.76	0.04	260,835	
Dec'18	52.38	52.90	52.05	52.37	0.06	121,831	
NY Harbor ULSD (NYM) -42,000 gal.; \$ per gal.	1,5982	1,6223	1,5927	1,6035	0.012	122,373	
June	1,6061	1,6284	1,5998	1,6105	0.011	78,296	
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.	1,7269	1,7374	1,7041	1,7153	-0.064	127,624	
June	1,7245	1,7326	1,7026	1,7144	-0.035	71,858	
Natural Gas (NYM) -10,000 MMBtu's; \$ per MMBtu.	3,293	3,347	3,254	3,266	-0.027	311,999	
June	3,383	3,422	3,331	3,344	-0.021	127,809	
July	3,444	3,489	3,400	3,416	-0.014	154,237	
Sept	3,430	3,491	3,411	3,425	-0.012	104,820	
Oct	3,440	3,503	3,419	3,437	-0.012	125,154	
Jan'18	3,673	3,718	3,649	3,671	...	87,600	

Agriculture Futures

	Interest Rate Futures					
Treasury Bonds (CBT) \$100,000; pts 32nds of 100%						
June	151-180	152-030	150-270	151-160	-5.0	639,961
Sept	150-000	150-230	149-210	150-090	-3.40	75
Treasury Notes (CBT) \$100,000; pts 32nds of 100%						
June	124-295	125-095	124-240	125-015	.5	3,026,460
Sept	124-215	124-295	124-155	124-215	1.0	1,116
5 Yr. Treasury Notes (CBT) \$100,000; pts 32nds of 100%						
June	117-295	118-062	117-267	118-007	1.5	2,974,983
2 Yr. Treasury Notes (CBT) \$100,000; pts 32nds of 100%						
June	108-077	108-097	108-065	108-082	...	1,365,836
30 Day Federal Funds (CBT) \$100,000,000; 100 daily avg.						
April	99.108	99.108	99.105	99.108	...	442,234
May	99.095	99.100	99.095	99.090	-.005	251,337
10 Yr. Det. Int. Rate Swaps (CBT) \$100,000; pts 32nds of 100%						
June	91.944	92.172	91.641	91.906	.047	32,948
1 Month Libor (CME) \$3,000,000; pts of 100%						
May	98.950	98.9875	98.9805	99.9000	.0025	221
Eurodollar (CME) \$1,000,000; pts of 100%						
April	98.875	98.8400	98.825	98.8350	...	237,690
June	98.7100	98.7200	98.7050	98.7100	-.0050	1,472,273
Dec	98.4800	98.4950	98.4600	98.4800	...	207
Dec'18	98.0600	98.1250	98.0500	98.0950	.0350	1,409,445

Currency Futures

	Currency Futures					
Japanese Yen (CME) -\$12,500,000; \$ per 100Y						
April	.9013	.9053	.8977	.9019	-.0021	567
June	.9057	.9071	.8986	.9041	-.0022	192,109
Canadian Dollar (CME) CAD 100,000; \$ per CAD						
April	.7465	.7477	.7444	.7459	.0001	739
June	.7468	.7483	.7448	.7465	.0001	129,070
British Pound (CME) -\$6,250,000; \$ per £						
April	1,2488	1,2500	1,2428	1,2488	.0035	301
June	1,2468	1,2521	1,2445	1,2508	.0036	240,207
Swiss Franc (CME) CHF 125,000; \$ per CHF						
June	1.0028	1.0031	.9959	.9995	-.0030	38,852
Sept	1.0022	1.0088	1.0021	.0056	-.0029	141
Australian Dollar (CME) AUD 100,000; \$ per AUD						
April	.7572	.7585	.7559	.7581	.0023	427
May	.7568	.7580	.7555	.7577	.0024	256
June	.7556	.7577	.7547	.7572	.0023	135,424
Sept	.7557	.7564	.7540	.7561	.0023	995
Mexican Peso (CME) MXN 500,000; \$ per MXN						
June	.05253	.05289	.05246	.05285	.00032	198,934
Euro (CME) -\$125,000; \$ per €						
April	1.0681	1.0694	1.0640	1.0672	-.0002	891
June	1.0715	1.0726	1.0668	1.0703	-.0003	393,643

Index Futures

	Index Futures					

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, AMEX, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Wednesday, April 5, 2017

NYSE

	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg				
ABB	ABB	32.07	-0.39	-	CIT Group	CIT	42.21	-0.81	ExxonMobil	XOM	82.53	0.16	FMC	FMC	71.85	-0.47	RoyalCaribbean	RCL	98.11	0.05	WestpacBanking	WBB	26.11	-0.35	Flex	FLEX	16.41	-0.29
AECOM	AEC	35.01	0.15	-	CitrusNatl	LNC	64.54	-0.50	LincolnNational	LNC	45.26	-0.20	GlobalDutch	RDSB	52.65	-0.20	Biogen	BIB	27.04	-3.80	Mattel	MAT	25.14	0.17				
AES	AES	11.16	-0.11	-	EddyDivd	EDY	23.16	-0.10	LionsGate	AGF	25.61	-0.70	RoyalDutch	RDSB	55.64	-0.27	BioMarinPharm	BMRN	86.12	0.09	MaxwellProducts	MXM	44.37	-0.16				
Aflac	AFL	72.19	-0.42	-	Federated Instl	FII	31.34	0.37	LiveNationEnt	LNT	3.21	...	SAP	SAP	97.38	-1.09	Bioverativ	BVIV	33.97	0.01	SiriusXM	SIRI	5.11	-0.01				
AT&T	T	41.51	-0.18	-	Fidelity Advisor	FID	44.21	-0.07	H-Doe	HDO	1.00	...	S&P Global	SPGI	130.17	1.35	Skyworks	SWKS	89.89	-0.46	Skyworks	SWKS	51.01	-0.01				
AXIS Capital	AXIS	66.67	-0.69	-	FidelityBank	LMT	26.98	-0.22	LockheedMartin	LMT	2.31	...	SINOPECShangha	SIN	56.16	-0.68	Spunk	SPLK	61.08	...	Spunk	SPLK	9.76	-0.25				
Abbott Labs	ABT	43.88	-0.30	-	FidelityL	FYL	47.00	-0.09	Lowe's	L	47.00	-0.09	SLGreenRealty	SLG	102.25	-0.11	Staples	STPLK	8.73	-0.01	Starbucks	SBUX	58.22	-0.10				
AbbVie	ABBV	64.96	-0.15	-	FidelityTemp	FYT	81.62	0.02	Lowes	L	47.00	-0.09	WilliamsPartners	WPZ	41.11	-0.36	MicroTech	MU	28.26	-0.33	Starbucks	SBUX	40.13	-0.21				
Accenture	ACN	117.64	-0.60	-	FidelityTemp	FYT	81.62	0.02	LyondellBasell	LYB	88.40	-0.22	Wipro	WIP	10.14	0.14	Microsoft	MSFT	65.56	-0.17	Stericyc	SRCL	82.30	1.23				
AcuityBrands	AYI	170.40	-3.53	-	FidelityTemp	FYT	81.62	0.02	LyondellBasell	LYB	88.40	-0.22	WooriBank	WIF	36.11	0.88	SignatureSoft	SBNY	142.71	-3.31	Symantec	SYMC	32.08	-0.10				
Adient	ADNT	66.55	-1.58	-	FidelityTemp	FYT	81.62	0.02	Marke	MKT	19.51	-0.60	Weyerhaeuser	WY	33.97	0.01	Skysworks	SWKS	89.89	-0.46	Trident	TRDN	71.45	-0.53				
AdvanceAuto	AAU	142.74	-0.30	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	TD Ameritrade	AMTD	37.58	-0.79	Tridev	TRDN	71.45	-0.53				
AdvSimEngn	ASX	6.49	-0.02	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	MobileCrown	MPEL	18.97	-0.08	Tridev	TRDN	71.45	-0.53				
Aegon	AEG	4.96	-0.11	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Mondelez	MDL	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AerCap	AER	45.46	-0.01	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Aetna	AET	127.28	-0.57	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AffiliatedMtrs	AMG	159.20	-0.89	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AigleTechs	AT	52.71	-0.09	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AigcoEagle	AGA	44.64	-0.29	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Aigrum	AGU	94.02	-0.85	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AirProducts	APD	135.24	-0.11	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AlaskaAir	ALK	90.05	-0.07	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Albermarle	ALB	105.21	-0.29	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Alcoa	AA	33.85	-0.38	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AlexanderReal	ARE	110.96	-0.28	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Allstate	ALL	81.42	-0.21	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AllyFinancial	ALLY	19.08	-0.04	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Altia	MO	71.93	-0.09	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
Altria	AT	23.77	-0.66	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AllyianceData	ADS	250.67	-0.21	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AllyianceBank	ABT	22.45	-0.10	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60	-0.01	Monsanto	MDD	44.01	-0.05	Tridev	TRDN	71.45	-0.53				
AllianzTransm	ALSN	35.61	-0.22	-	FidelityTemp	FYT	81.62	0.02	MarshallPetrol	MPC	49.44	-0.35	Whirlpool	WHR	165.60													

BANKING & FINANCE

BlackRock to Add Cisco Chief Executive to Board

Choice of Robbins shows money manager's increased reliance on technology

BY JOANN S. LUBLIN
AND SARAH KROUSE

BlackRock Inc. has nominated **Cisco Systems Inc.** leader Chuck Robbins as a director, making him the first technology chief executive on the board of the world's largest money manager.

The expected election of Mr. Robbins at BlackRock's May 25 annual meeting comes as the firm expands reliance on highly sophisticated technology. In one example, BlackRock has long commercialized an internal risk-management system known as Aladdin but is increasingly seeking new ways for its own investors and customers to use it.

The risk-management and technology platform has more than 180 customers and nearly \$20 trillion in assets, BlackRock President Rob Kapito said at an investor conference this February.

The \$5.1 trillion money manager announced the recruitment of Mr. Robbins Wednesday. Two older board members are also expected to depart this spring, according to a person familiar with the matter. Leaving the board at that time will be Thomas H. O'Brien, a retired CEO of **PNC Financial Services Group Inc.**, and David H. Komansky, a retired CEO of Merrill Lynch & Co.

The 51-year-old Mr. Robbins



Cisco Chief Executive Officer Chuck Robbins doesn't sit on any outside corporate boards at present.

has run Cisco, a Silicon Valley network-equipment maker, since 2015 and currently doesn't have any outside corporate board seats.

For BlackRock's Aladdin system specifically, firm leaders are pitching the technology for risk assessment in the wealth-management industry, improved Wall Street plumbing through custodians and digitizing money management for retail investors.

"At BlackRock, technology is rapidly transforming how

we invest, measure risk, distribute our products, and run our operations," said Laurence Fink, the firm's chairman and CEO, in a statement.

Mr. O'Brien, who turned 80 years old this year, has been BlackRock's lead independent director. His successor in that powerful post will be fellow director Murry S. Gerber, a former CEO of EQT Corp., according to a person familiar with the situation.

Following this year's annual meeting, the BlackRock board

will have 18 members. Mr. Robbins will represent the sixth new independent director added since 2012.

Further board turnover looms. Under BlackRock's governance guidelines, directors must retire at age 75—unless they had reached 70 years old as of July 2013. Messrs. O'Brien, Komansky and two other board members were over 75 as of its April 2016 proxy statement. All but one had been a BlackRock director for at least a decade.

J.P. Morgan App Gains Popularity For Large Trades

BY EMILY GLAZER

A \$100 million mobile-phone trade that **J.P. Morgan Chase & Co.** Chief Executive James Dimon mentioned Tuesday following his annual shareholder letter came from a European client of the bank who was using the bank's app to trade outside the office.

The currency move, picked out by Mr. Dimon and others at the bank as an example of the growing popularity of new financial technology on Wall Street, was made by an undisclosed bank client in the third quarter of 2016. It was a simple transaction changing euros to dollars, people familiar with the trade say.

While the deal showed the increasing size of trades being done using new bank technology, it was a relatively small shift of funds in the foreign exchange market, where roughly \$5.1 trillion changes hands each day. It also wasn't the bank's biggest currency trade on its J.P. Morgan Markets mobile app. In the first quarter, a hedge fund made a similar mobile trade that was worth about four times more, the largest the bank's forex desk has seen, people familiar with the move said.

It is becoming more common for the bank to let clients execute millions of dollars in foreign-exchange trades using their cellphones, said Troy Rohrbaugh, J.P. Morgan's global head of macro trading, which includes forex trading.

Nearly half of the bank's clients using the J.P. Morgan Markets platform are millennials,

als., Mr. Rohrbaugh added. "Based on how they interact in their whole lives," he said, "we want to be able to offer anything they can get on desktop, on mobile, in a user-friendly way."

The ability to trade forex on mobile, launched in 2014, also allows users to track the progress of their trades by phone.

The typical forex trade size on mobile is less than \$10 million, the bank says. Those trades are typically executed using a function on the bank's app called "tap to trade." Much larger trades are often plugged into the app using an algorithm that automatically executes a trade over time under preset instructions.

Large mobile trades are picking up. And while they still represent a small percentage of overall trading, the bank recently polled about 200 of its clients using the J.P. Morgan Markets platform and found about one-third of them would use a mobile device if they could. Many clients are blocked by compliance policies at their firms that cover newer trading technologies.

Overall mobile trading volumes in forex at J.P. Morgan in the first quarter of 2017 rose 48% from the first quarter of 2016 and 171% from the first quarter of 2015. The bank declined to disclose the trading volumes themselves.

Later this year, the bank has plans to launch mobile trading in metals, and ultimately it is working on expanding mobile trading tools to other markets such as U.S. Treasurys, said Mr. Rohrbaugh.

Amazon Deal to Speed Up Warehouse Operations



Amazon.com Inc. has reached a deal with **Plug Power Inc.** to help speed up its operations and meet energy-efficiency goals at the company's warehouses.

Plug Power shares shot up 73% Wednesday, as the 20-year-old company granted Amazon the right to buy up to 20% of its

shares if the e-commerce company spends as much as \$600 million on equipment and services before the contract expires.

The companies started working together a year ago and Amazon completed the installation of Plug Power technology at a warehouse in the fourth quarter.

FINANCE WATCH

BOEING

Venture-Capital Unit Explores New Areas

Boeing Co. is establishing a venture-capital arm as part of a broader push to capture technology that includes innovations that could be used beyond its core aerospace and defense sectors.

The company announced the new Boeing HorizonX unit

New Boeing along with its first two

minority investments and a pledge

to deploy tens of millions of dol-

lars a year worldwide in pursuit

of technology that might be de-

ployed in the next five to 15 years.

—Doug Cameron

WALGREENS BOOTS ALLIANCE

Prescription Growth Picked Up in U.S.

Walgreens Boots Alliance

Inc. said its pharmacy business

picked up in the U.S. with the

highest quarterly prescription

growth in years.

Overall, for its fiscal second

quarter ended Feb. 28, Wal-

greens earned \$1.06 billion, or 98

cents a share, compared with

\$930 million, or 85 cents a share,

a year earlier, as sales fell 2.4% to \$29.4 billion. Excluding certain items, Walgreens said that it earned \$1.36 a share.

The company backed its fiscal 2017 outlook of adjusted per-share earnings of \$4.90 to \$5.08.

Walgreens Chief Executive Stefano Pessina expressed optimism that the drugstore chain's long-delayed tie-up with **Rite Aid Corp.** would be approved in the coming months.

—Sharon Terlep

and Joshua Jamerson

ADBLOCK PLUS

Owner Eyo to Buy Web-Payments Firm

Eyo GmbH, parent of ad-blocking software Adblock Plus, is buying **Flattr**, a company that lets users make payments to websites for individual articles they read.

The transaction comes after the two companies joined last year to bring the micropayment service to Adblock Plus users. Financial terms weren't disclosed.

Flattr's latest product allows readers to specify how much

money they want to pay every month for content.

—Austen Hufford

TAX PROBE

Australia Obtains Account Information

Australian tax authorities have obtained information on as many as 1,000 bank accounts—some still active—linked to 347 people, as part of an international tax-fraud investigation, the country's Taxation Office deputy commissioner, Michael Cranston, said.

The data were provided to Australia by Dutch investigators, who are spearheading the probe that has put scrutiny on **Credit Suisse Group AG**. After the Dutch received 55,000 tax records from a whistleblower, they organized an inquiry involving Australia, France, Germany and Britain. The Dutch financial-fraud prosecutor said Friday it was investigating dozens of people.

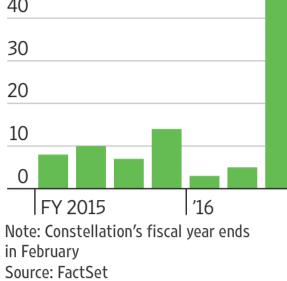
It didn't specify any bank. However, the same day, Credit Suisse said it had been contacted by authorities in Amsterdam, Paris and London regarding a tax inquiry. The bank took out ads in weekend papers—including The Wall Street Journal—in the U.K., Netherlands and France stating that it had a "strict zero tolerance policy on tax evasion."

—Rob Taylor

MARKETS

Taxing

Times the word 'tax' is mentioned in Constellation Brands' earnings calls



AHEAD OF THE TAPE

Steven Russolillo

A Trump Trade With Upside

No one can stand in the way of America's affection for Mexican beer—not even Donald Trump.

Worries about the president's posturing toward Mexico have hurt **Constellation Brands** Inc., the largest U.S. distributor of popular Mexican beers including Corona. A tariff on Mexican imports would make its cheap beers that much more expensive, potentially hurting sales. Almost all of Constellation's beer is imported from Mexico.

The once-highflying stock soured on these concerns, at one point suffering its worst drop since the financial crisis. That is overdone. Thursday's earnings report should prove that the recent pain was nothing more than a bad hangover.

Analysts polled by FactSet estimate fiscal fourth-quarter earnings of \$1.36 a share, up 14% from a year ago. Constellation has maintained that it expects double-digit-percentage earnings growth for the next three years. Revenue for the period ending in February is expected to have increased 26% to \$2 billion.

Constellation flourished after its \$5.3 billion acquisition almost four years ago of the U.S. distribution rights for Corona, several other Mexican beers and a Mexican brewery. In addition to being one of the biggest wine companies, the deal catapulted Constellation to become one of the largest U.S. beer sellers. Overall sales have more than doubled over the past five years and the stock has surged eightfold.

But it was mostly politics, along with a slightly disappointing quarterly earnings report, that forced the shares down 11% from Election Day through the end of January.

"Current fundamentals look terrific," says Robert Ottenstein of Evercore ISI, while adding "there are significant policy-related risks."

For its part, Constellation has said it is ready should a border tax be implemented. If, for instance, deductions for foreign-sourced costs were disallowed, Constellation Chief Executive Robert Sands said the company

Beer distributor
Constellation Brands
says it is ready if a
border tax arises.

could shift many of its energy costs—such as natural gas used in glass production—to the U.S. from Mexico. Along with other benefits from tax reform, he even said the impact of a border tax "could be a net positive when all is said and done."

Others are sanguine as well. In January, Moody's upgraded Constellation's senior unsecured debt ratings to investment grade, saying the company "has significant financial and operating flexibility to manage risks."

Trading at 21 times projected earnings over the next 12 months, Constellation's historically rich price/earnings ratio is 5% cheaper than its three-year average and lower than rivals **Anheuser-Busch InBev** SA/NV and **Boston Beer** Co. This stock's siesta is ending.

Schneider IPO Raises \$550 Million

Company goes public amid a slumping market for the trucking industry

BY JENNIFER SMITH
AND CORRIE DRIEBUSCH

One of the largest U.S. trucking companies raised \$550 million in its initial public offering, according to people familiar with the deal, an encouraging sign for a slumping freight market.

Schneider National Inc. and some shareholders sold roughly 29 million shares at \$19 apiece, the people said, valuing the Green Bay, Wis.-based company at \$3.3 billion. The company had aimed to sell shares for \$18 to \$20 a share, according to a regulatory filing.

It is the first trucking company to complete an IPO in the U.S. since 2010, according to data compiled by Dealogic that excludes IPOs via acquisitions.

Schneider, a family-owned company since its founding in 1935, has had three chief executives in its history and pitched investors on decades of stability and steady growth, as well as more recent technology investments, according to people who attended the company's presentations ahead of the IPO.

Demand from retailers, manufacturers and other shippers has been weak for much of the past 18 months, shrinking profits at many of Schneider's competitors. Some, including **Swift Transportation** Co., the largest U.S. trucking fleet, predict a recovery in the second half of this year, though the freight market has experienced several false



Schneider National has had only three CEOs in its history and pitched investors on decades of stability and steady growth.

starts in recent months.

"The timing is questionable," John Larkin, a managing director of **Stifel Nicolaus & Co.**, said ahead of the IPO. "The first quarter has not been stellar from a demand point of view, and contract pricing is not really moving in the other direction. In fact some shippers are asking for reductions."

The stock is expected to start trading on Thursday, listed on the New York Stock Exchange under the symbol "SNDR." The deal is being led by **Morgan Stanley** and **UBS Group AG**.

Schneider generated about \$4 billion in revenue in 2016. It operates a fleet of roughly 10,500 trucks, carrying goods long distance for customers. The company also runs a logistics business with freight brokerage and supply-chain management services, and has an intermodal unit, which arranges to transport freight by truck and train.

Going public provides Schneider with money to pay down about \$150 million in

debt, as well as capital for investments such as buying chassis, the steel frames that allow trucks to transport shipping containers, according to a regulatory filing.

Most of Schneider's competitors have removed trucks from the road in an effort to boost the rates they charge shippers. That helped lift shares of many large fleets to near records in late 2016, but trucking stocks have slid over the past couple months.

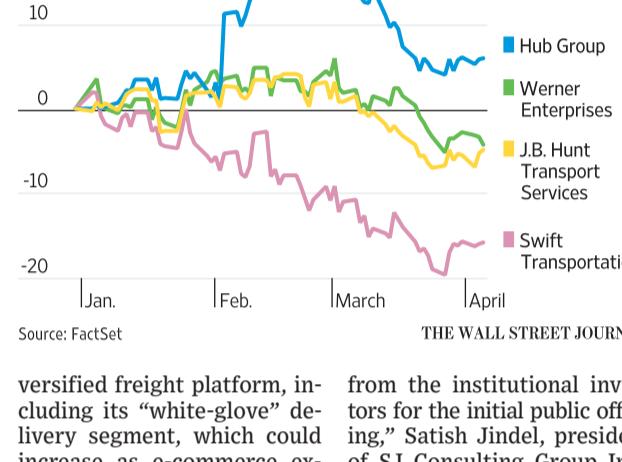
Performance varies widely across the sector. Shares in **J.B. Hunt Transport Services** Inc., the company Schneider executives and bankers on the deal say is a comparable firm, according to people familiar with the offering, are down 4.9% in 2017, though they are up 11% from a year ago.

Swift's shares are down 16% this year, and **Werner Enterprises** Inc., another large truckload carrier, is down 4.3%.

Schneider has a reputation in the trucking industry for sound management and a di-

Unloading

Schneider National is going public as a freight-market downturn has taken a toll on trucking-company stocks.



versified freight platform, including its "white-glove" delivery segment, which could increase as e-commerce expands. That could draw investors, even as the trucking industry muddles through a rough patch, analysts say.

"Schneider shouldn't have any trouble getting interest

from the institutional investors for the initial public offering," Satish Jindal, president of SJ Consulting Group Inc., said before the IPO priced. "How the stock performs over the next quarter or two may be more difficult to say, given the market conditions are soft."

Stocks Give Up Gains After Fed Minutes



BY AARON KURILOFF
AND RIVA GOLD

U.S. stocks fell, reversing an early surge that had sent the Dow Jones Industrial Average up almost 200 points.

Minutes from the Federal Reserve and reported comments from House Speaker Paul Ryan on the status of a tax overhaul contributed to the reversal, some traders and investors said.

The Dow industrials were up 0.96% at their intraday peak but closed lower in their biggest erased gain in more than a year. The blue-chip index ended the day down 41.09 points, or 0.2%, at 20,648.15.

The S&P 500 lost 7.21 points, or 0.3%, to 2,325.95, and the Nasdaq Composite fell 34.13, or 0.6%, to 5,864.48.

Minutes from the U.S. central bank's March policy meeting showed officials agreed that they would likely begin reducing the Fed's balance sheet, which includes assets

purchased during and after the 2007-09 recession, later this year.

Also Wednesday afternoon, Reuters reported that Mr. Ryan said the House, Senate and White House weren't yet "on the same page" on taxes.

"There's a general sense that until we get into earnings season and get broader data points, we continue to be susceptible to policy, whether its monetary policy or fiscal policy," said Eric Wiegand, senior portfolio manager at U.S. Bank's Private Client Reserve.

"We haven't seen a great deal of progress on the fiscal policy, which continues to be an area of concern for investors."

Shares of financial companies led declines in the S&P 500, falling 0.7%. **J.P. Morgan Chase** fell \$1.12, or 1.3%, to \$86.19. **Charles Schwab** lost 75 cents, or 1.9%, to 39.48, and **Morgan Stanley** declined 77 cents, or 1.8%, to 41.74.

Also in the Fed minutes: Some officials said stock prices

looked high relative to some valuation measures, citing the possibility of a correction in financial markets as a risk to their economic forecasts.

Companies in the S&P 500 have traded at more than 20 times their past 12 months of earnings for 106 consecutive sessions, the longest stretch since 2010, based on FactSet.

Stocks' broad early-session advance followed oil-price increases and data from payroll firm Automatic Data Processing Inc. and Moody's Analytics that showed the U.S. private sector added a better-than-expected 263,000 jobs in March. The Labor Department's jobs report for March is scheduled for Friday.

Prices of U.S. government bonds edged lower, with the yield on the benchmark 10-year Treasury note rising to 2.352%, from 2.350% Tuesday.

The Stoxx Europe 600 inched up less than 0.1%. Asian markets fell early Thursday, with Japan's Nikkei down 1.4%.

Oil Expected to Remain Under \$60 a Barrel for Third Year

BY GEORGI KANTCHEV

Analysts expect oil prices to stay below an average of \$60 a barrel for a third consecutive year as the resurgence of U.S. shale drillers puts OPEC's plans to raise the price through output cuts in jeopardy.

When the Organization of the Petroleum Exporting Countries meets in May to decide on an extension of its production deal, the cartel will face a delicate balance: If it continues to limit output and prices rise too fast, U.S. shale drillers would ramp up production. If OPEC scraps the deal, it risks fueling the global crude glut.

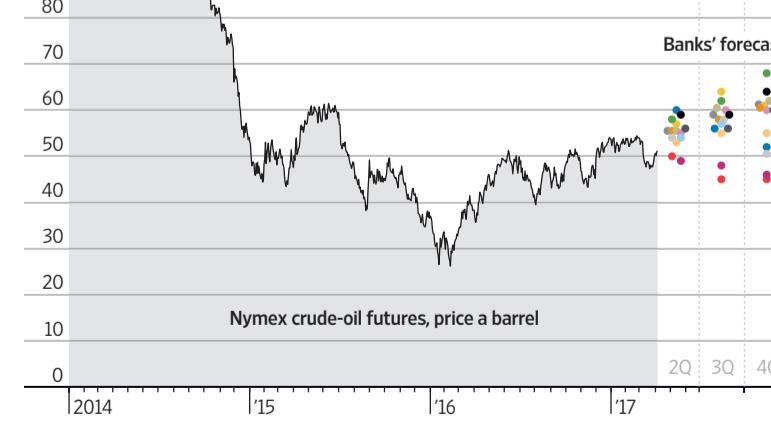
OPEC's decision has major implications for oil prices. A poll of 14 investment banks, surveyed by The Wall Street Journal in late March, predicted that Brent crude, the international oil-price benchmark, will average \$57 a barrel this year, unchanged from the previous survey. The banks expect West Texas Intermediate, the U.S. oil gauge, to average \$55 a barrel this year.

On Wednesday, Brent settled at \$54.36 a barrel while WTI settled at \$51.15 a barrel.

Oil prices have risen by close to a fifth since OPEC and other major producers decided late last year to cut around 2% from global production in the

Looking Ahead at Oil Prices

Where investment banks in March's survey see the price of U.S. crude-oil futures in the next few quarters



Sources: WSJ Market Data Group (oil price); the companies (forecasts)

news for U.S. shale producers.

Higher prices since the OPEC deal have already resulted in an increase in U.S. drilling activity. In the year's first quarter, the number of rigs drilling for crude in the U.S. rose by 137, or 10.5 a week, the steepest quarterly rise in nearly six years, according to Commerzbank.

Production itself is also rising. ING Bank estimates that since October, U.S. output is up by more than 600,000 barrels a day, which is equivalent to nearly 35% to 40% of the OPEC cuts achieved so far.

"The OPEC deal has breathed new life into the U.S. [oil sector], which is likely to complicate OPEC's decision in May," Barclays said in a recent report. "If production growth exceeds expectations, it could threaten to undo the work of OPEC members last fall."

The bank now forecasts U.S. crude-oil production will reach a multidecadal high by December, within sight of the all-time high reached in 1970.

The banks in recent months have downgraded their expectations for oil prices in the next few years, predicting Brent crude will average \$64 a barrel next year, down \$5 from the survey a year ago. For 2019, the banks now see Brent at \$68 a barrel, down from a prediction of \$76 last March.

first half of this year. On May 25, OPEC ministers will meet in Vienna to decide whether to extend that deal for six months.

OPEC does not want to cut production too much and push up prices too fast. The risk is that U.S. shale output grows even more quickly than forecast," said Michael Wittner, head of oil-market research at Société Générale.

But while the resurgence of

U.S. drillers means OPEC could lose market share by limiting output for longer, the group's efforts are yet to bear fruit.

OPEC's goal in agreeing to cut production, along with several major producers outside the cartel, was to see global crude stockpiles fall after nearly three years of market oversupply. But U.S. inventories, seen as a bellwether for global stockpiles, have recently

reached an all-time high, which caused prices to fall below \$50 a barrel last month.

"The original objective of the production cuts...will apparently not be achieved by [May]," say analysts at Commerzbank. "The targeted inventory reduction will only materialize if OPEC output is maintained at its present level right into the fourth quarter."

This would be welcome

MARKETS

As Refinancings Slow, Fed Feels Ripples

Officials look to shed bonds but some argue monetary policy is already tightening

By BEN EISEN
AND MIN ZENG

The Federal Reserve has been buying up fewer mortgage bonds in recent months thanks to a flameout of the American refinancing boom, one factor that economists say is likely to help shape Fed officials' thinking as they consider shrinking their giant bond portfolio.

The Fed expects to buy \$18 billion of agency mortgage-backed securities—those issued by government-sponsored enterprises such as Fannie Mae or Freddie Mac—in the month ending next Wednesday. That is less than half the amount it bought in the month ended right after the presidential election, according to data from the Federal Reserve Bank of New York, and the smallest purchase since mid-2014.

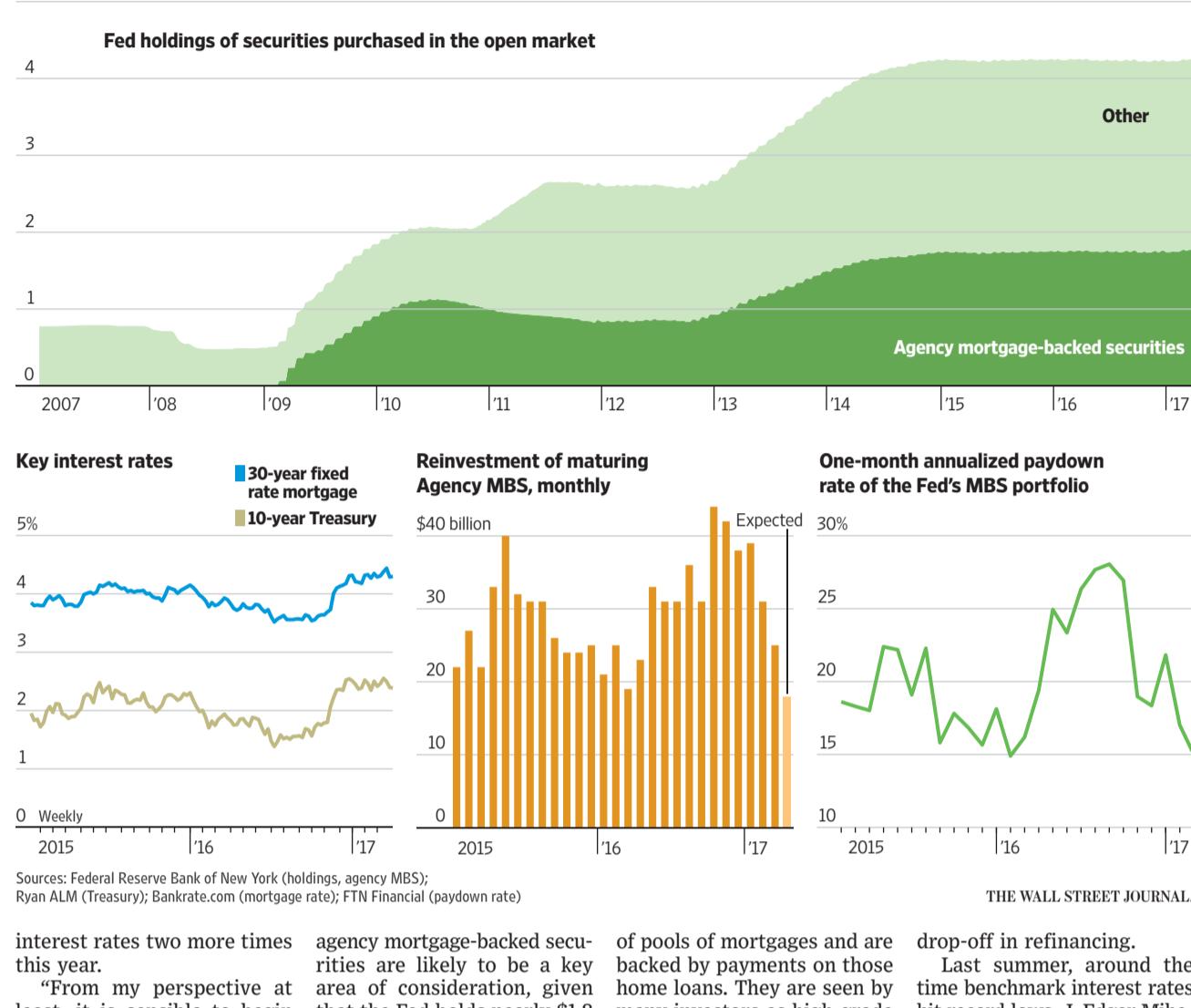
Because the Fed is buying up less of the mortgage bonds currently in the market, in many ways monetary policy is already tightening on its own, some traders and analysts say. They add that the Fed could view it as a step toward shrinking its \$4.5 trillion balance sheet, as it considers whether to begin selling some securities later in 2017 after years of bond buying.

At their policy meeting in March, Fed officials agreed that they would probably start shrinking their portfolio later in the year, but didn't decide on key details, minutes released Wednesday show.

The Wall Street Journal reported Friday that the Fed is formulating a strategy to start winding down its portfolio by slowing or stopping reinvestments of maturing debt, perhaps after raising short-term

Long Unwinding Road

Federal Reserve officials are discussing what to do with trillions of dollars in mortgage and Treasury securities acquired in stimulus programs. The bank's practice of reinvesting sums received when bonds mature is being slowed by rising interest rates, which have halted a U.S. refinancing boom that boosted bond prepayments. Lower reinvestment spending means less support for the economy, many analysts contend.



Sources: Federal Reserve Bank of New York (holdings, agency MBS); Ryan ALM (Treasury); Bankrate.com (mortgage rate); FTN Financial (paydown rate)

interest rates two more times this year.

"From my perspective at least, it is sensible to begin thinking now about balance-sheet moves," Federal Reserve governor Daniel Tarullo said in a CNBC interview on Wednesday, his last day at the central bank.

The Fed's holdings of

agency mortgage-backed securities are likely to be a key area of consideration, given that the Fed holds nearly \$1.8 trillion of the debt, or more than 40% of its holdings of securities scooped up through its open market purchase program, New York Fed data show.

Such securities are made up

of pools of mortgages and are backed by payments on those home loans. They are seen by many investors as high-grade fixed-income instruments due partly to the notion of an implicit government guarantee, which reduces the risk.

Now, the pace at which those bonds are maturing is being slowed down by the

drop-off in refinancing.

Last summer, around the time benchmark interest rates hit record lows, J. Edgar Miheic, a 35-year-old accountant at a nonprofit, considered refinancing the 30-year mortgage on his Cape Cod-style brick home in Brookfield, Ill.

But he didn't move fast enough. Following the U.S.

presidential election, mortgage rates jumped as investors bet on faster economic growth and higher inflation once Donald Trump took office. An average fixed-rate 30-year mortgage came with an annual interest rate of about 4.3% this week, versus 3.5% about a month before the election, according to Bankrate.com.

"I waited around too long," Mr. Miheic said.

Refinances are expected to have made up 41% of total mortgage originations in the first three months of the year, down from 51% in the fourth quarter of 2016, according to the Mortgage Bankers Association. That share is forecast to drop to 28% in the second quarter and 26% in the third.

When refinancing slows down, so does the rate at which mortgage bonds mature, because less mortgage principal is flowing directly back to bondholders in the form of prepayments. That is already hitting the Fed's portfolio of mortgage bonds, in which the one-month annualized rate of pay down on the portfolio slowed to 15% at the end of February, down from 28% at the end of July, according to an analysis by FTN Financial.

The Fed in turn has less maturing bonds to reinvest. Many economists and investors say the Fed's purchase of bonds is what eases financing conditions, and slowing those purchases can signal to markets that it intends to tighten policy.

To be sure, some argue that the act of holding debt on its balance sheet is a stronger easing measure, and slowing reinvestments doesn't necessarily affect the size of the balance sheet.

But many analysts agree the purchases play an important role in how markets react. Bond yields shot up, for example, when the Fed signaled in 2013 that it could slow the pace of its bond-buying program.

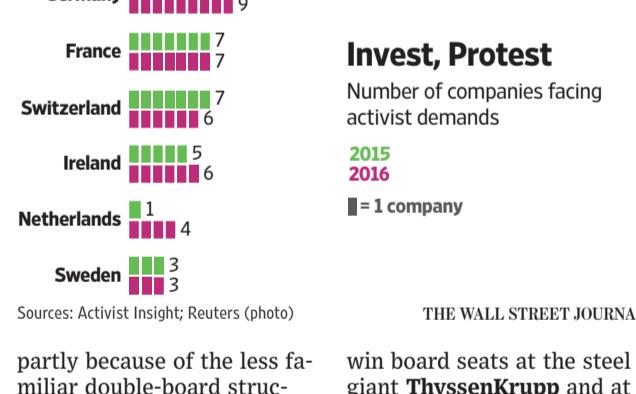
HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Activists Find Fertile Ground in Europe



Sources: Activist Insight; Reuters (photo)

partly because of the less familiar double-board structure whereby a supervisory board with investor and labor representation scrutinizes a management board. This means activists need to pay more attention to labor interests than in a comparable U.S. or U.K. situation.

But that hasn't stopped some investors, most notably Swedish firm Cevian, which has built long-term stakes to

win board seats at the steel giant ThyssenKrupp and at industrial-services group Bilfinger.

"Investors can get stuff done if they understand the market," argues Hans-Christoph Hirt of Hermes.

A total of 97 companies faced public investor demands last year in Europe, up from 72 in 2015, according to data collector Activist Insight. The U.K. still ac-

counted for the bulk of the action, yet the fastest growth in cases last year came from former laggards Germany and Italy.

Changes in the investor base have supported activists. Institutional investors are more present than they used to be—even if two-thirds of the largest German companies are still controlled by big insider stakes, calculates Edmund Schuster,



AkzoNobel headquarters in Amsterdam

a professor at the London School of Economics. And institutional investors are under political pressure to act as owners, making them more likely to vote with activists.

An enduring problem with activism in Europe is that corporate law is different in each country. The arcane qualities of Dutch "stichtings" have become a sticking point in the AkzoNobel case. Although Elliott can, with the support of other shareholders, remove members of Akzo's board, it is powerless to nominate replacements.

This probably protects the company from hostile action. Similarly, TCI's opposition to Safran's proposed acquisition of local peer Zodiac has come up against the unshakable problem that investors don't get a vote on big deals in France, as they do in the U.K.

Activists looking to prosper in Europe need to master the local rules of the game. If U.S. firms don't, others will.

—Stephen Wilmot

Drug Makers Can't Let Guard Down

An industry-friendly commissioner seems to be coming to the Food and Drug Administration. While he is favored by many executives, not all drug makers will be happy once he gets on the job.

Such is the takeaway from Scott Gottlieb's confirmation hearing to take the helm of the agency Wednesday. In many ways, Dr. Gottlieb's hearing was standard Washington fare. He parried several tough questions on his ties to industry, but there is no real reason to doubt he will win confirmation.

That will please most industry insiders. A February survey of 53 drug company executives by analysts at Mizuho found that more than 70% preferred Dr. Gottlieb to a host of other potential nominees. And Dr. Gottlieb didn't directly state the FDA would work for lower drug prices, despite fairly intense pressure from Sen. Bernie Sanders, and the president who appointed him, to do so.

Dr. Gottlieb said that savings on biosimilars—cheaper versions of complex biologic drugs—have been disappointing.

Dr. Gottlieb indicated that working towards making more biosimilars "interchangeable" with the branded versions, like a traditional generic drug, would be a priority. Patents on dozens of complex biologics are due to expire in coming years.

If action follows these words, drug spending trends might moderate without more comprehensive legislation.

Dr. Gottlieb may be favored by most industry executives, but investors should stay on alert once he takes office.

—Charley Grant

Short Sellers of Panera Bread Are Toast

The short slayer has struck again, and investors betting against Panera Bread are its latest victims.

The restaurant chain is the latest acquisition of European investment fund JAB Holding, which said Wednesday it was buying Panera for \$7.5 billion, including debt.

The deal is also the latest in a long line of blows JAB has dealt to short sellers of highly valued shares of food and beverage companies, including Keurig Green Mountain, Krispy Kreme Doughnuts, Caribou Coffee and Peet's Coffee & Tea.

JAB's offer for Panera was particularly painful for the large number of investors who had wagered Panera's

stock would fall. As of Tuesday, 17.8% of Panera's float was out on loan, presumably to short sellers, according to IHS Markit. That compares with an average of around 2.5% for the S&P 500. One hedge fund labeled Panera a "landmine to shorts."

Some shorts are still smarting over JAB's deal for Keurig Green Mountain, announced Dec. 7, 2015. About 11% of the coffee company's shares were out on loan that day, and the deal ruined a good year for some hedge funds. Among the victims was David Einhorn's Greenlight Capital, which had taken a public short position in the stock.

And this wasn't the first

time a bet against Green Mountain went awry. About 19% of its shares were out on loan on Feb. 5, 2014 when Coca-Cola said it would take a stake in the brand.

Indeed, the closely held JAB may be willing to pay up for these companies for the same reason Coca-Cola was interested in buying a stake in Green Mountain: growth is difficult to come by in the food-and-beverage sector.

JAB has the added benefit of not having public shareholders to answer to.

Short sellers beware: a bet against a company that falls into JAB's areas of interest—coffee, consumer goods and food—is a dangerous one.

—Miriam Gottfried

OVERHEARD

They say that opposites attract.

Perhaps it shouldn't come as a surprise then that red-hot e-commerce giant Amazon.com got together with Plug Power Inc.

Shares of the beleaguered alternative energy company surged by over 75% at one point on Wednesday after Amazon inked a supply agreement with it worth up to \$600 million.

That would be a huge boost for a company that had revenue of less than \$86 million last year and hasn't managed to earn a profit in the past 20 years.

Yet, while Plug Power may

have been the day's hottest stock, it is among the worst in recent history.

On Tuesday the stock was fetching less than 1% of its split-adjusted peak at the beginning of the century even as Amazon appreciated more than 100 fold from its 2001 post tech boom nadir to a fresh record.

Amazon even looks like the winner in the short run, though.

Its deal would give Amazon 55 million Plug Power stock warrants that were nearly worthless when the deal was signed and were worth up to \$66 million Wednesday morning.