

THE WALL STREET JOURNAL.

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Last week: DJIA 20453.25 ▼ 202.85 1.0% NASDAQ 5805.15 ▼ 1.2% STOXX 600 380.58 ▼ 0.2% 10-YR. TREASURY ▲ 1 7/32, yield 2.237% OIL \$53.18 ▲ \$0.94 EURO \$1.0614 YEN 108.63

What's News

Business & Finance

Calpers is considering dramatic changes to how it invests in private equity that would slash payments to Wall Street managers, as the pension fund looks for ways to cut costs. **A1**

◆ Randal Quarles, a former top Treasury official, is expected to be Trump's selection as the Federal Reserve's vice chairman for bank supervision. **A2**

◆ Wells Fargo is scrambling to meet with key investors as the bank faces the possibility that one or more of its directors could fail to win re-election. **B1**

◆ Higher growth returned to China in the first quarter, with gross domestic product expanding by 6.9% from the year-earlier period. **A7**

◆ PwC is facing a class-action lawsuit over its pursuit of millennials as employees, part of an emerging wave of litigation that could test age-discrimination law. **B1**

◆ A well operated by BP on Alaska's North Slope stopped leaking oil on Sunday but continued to release natural gas, a state agency said. **B3**

◆ United's rules-based culture is seen as a factor in the decision to call for police to remove a passenger from a fully booked flight. **B1**

◆ Emerging-market bond ETFs have underperformed, raising concern over their suitability for bets on volatile developing nations. **B9**

◆ "Fate of the Furious" opened to an estimated \$532.5 million, putting the Universal movie in a virtual tie for a record global launch. **B3**

World-Wide

◆ Turkey's Erdogan declared victory in a close vote on a referendum that would concentrate more power in his presidency. Opposition leaders vowed to demand a recount. **A1, A6**

◆ Trump officials stepped up pressure on China to help deal with the threat from North Korea in the wake of a failed missile test by Pyongyang. **A1**

◆ Pence arrived in South Korea to begin an Asian visit in which security strategies are likely to overshadow economic demands. **A8**

◆ A new wave of evacuees was set to leave a besieged Syrian town, a day after a car bomb targeting a convoy killed over 125 people. **A7**

◆ Kushner is in talks to sell his stake in a real estate tech firm as he moves to separate himself from conflicts of interest. **A4**

◆ Arkansas is contesting legal rulings that blocked the state from carrying out a series of executions. **A3**

◆ A hacking group released documents that describe an alleged NSA effort to compromise users of the Swift transfer system. **WSJ.com**

◆ Alabama's Senate has approved a bill that would allow a church to create its own police department. **A3**

◆ A former governor of Mexico's Veracruz state, who fled in October, was arrested in Guatemala. **A9**

◆ A U.S.-Egyptian citizen who was held for nearly three years was acquitted by an Egyptian court. **A9**

CONTENTS Markets Digest... B6
Business News... B23 Opinion... A15-17
Crossword... A14 Sports... A14
Head on Street... B10 Technology... B4
Journal Report... R1-8 U.S. News... A2-4
Life & Arts... A11-13 Weather... A14
Markets... B8-10 World News... A6-9

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Supporters of Turkish President Recep Tayyip Erdogan rallied in Istanbul on Sunday after voting ended in a referendum that gave him more power.

Turkey's President Wins Narrowly in Vote on Powers

By Margaret Coker,
Ned Levin
and Yeliz Candemir

in Ankara, the capital, even as supporters of the president were holding congratulatory demonstrations elsewhere in the city.

The president said the proposed constitutional amendments would give him the tools to grapple with terror-

ism, economic woes and the conflict in neighboring Syria. But in the short term, they are likely to create greater domestic instability.

The contested results could lead to heightened tension with Europe, where officials have expressed wariness about a further concentration of power for Mr. Erdogan, who has led Turkey for 14 years and could now stay on as head of state for another decade.

The outcome is unlikely to immediately affect Ankara's relations with Washington and the U.S.-led North Atlantic Treaty Organization, analysts said. Turkey is a member of NATO and plays an important role in the alliance's fight

Please see TURKEY page A6

◆ Vote ramps up tension with European Union..... A6
◆ Yaroslav Trofimov: Erdogan's narrow win..... A6

China Is Pressed On North Korea

WASHINGTON—In the wake of North Korea's failed missile test over the weekend, Trump administration officials stepped up pressure on China, saying the threat has reached an inflection point that demands new urgency.

By Carol E. Lee and John D. McKinnon in Washington and Jonathan Cheng in Seoul

By framing China as the world's best hope for a resolution that doesn't involve military action, the U.S. aimed to raise the stakes for Beijing.

"It's really the consensus with the president, our key allies in the regions—Japan and South Korea in particular, but also the Chinese leadership—that this problem is coming to a head," White House National Security Adviser Lt. Gen. H.R. McMaster said on ABC's "This Week."

"And so it's time for us to undertake all actions we can, short of a military option, to try to resolve this peacefully," he said.

Sunday's comments from U.S. officials marked a softening of rhetoric after recent saber rattling from Washington and Pyongyang. Days after vowing the U.S. would go it alone on North Korea if China didn't help, President Donald Trump

Please see KOREA page A8

◆ On Pence's Asia visit, security tops trade A8

Calpers Weighs Shift in Private-Equity Investing

By DAWN LIM
AND HEATHER GILLERS

The largest public pension fund in the U.S. is studying dramatic changes in how it invests in private equity that would slash payments to Wall Street managers, according to people familiar with the matter.

The internal review is the latest effort by the California Public Employees' Retirement System to re-evaluate its more expensive bets as it wrestles with a cash crunch, a widening funding deficit and declining estimates of future earnings from

Bank Job

Former Treasury official Randal Quarles is expected to be Trump's pick as the Fed's vice chairman for bank supervision, **A2**

stocks and bonds. Calpers—like many pension funds—doesn't have enough assets on hand to pay for all future obligations.

The options under consideration could give the \$315 billion retirement system a greater

hand in selecting and managing its investments in private companies, according to these people. Calpers hopes a new approach will reduce costs.

Among the options being considered are: buying a private-equity firm or creating a separate company outside Calpers that would make private-equity wagers. Calpers could also choose to act as the sole investor in more customized accounts with outside managers, these people said.

In perhaps the biggest shift being reviewed, Calpers also

Please see FUND page A2

INSIDE



SMALL WEDDINGS, BIG BUDGETS

LEISURE & ARTS, A11



THE RISE OF THE SMART CITY

JOURNAL REPORT, R1-R8



BEHIND UNITED'S FATEFUL MOVE

BUSINESS & FINANCE, B1

Bosses greet business associates with open arms; the 'HR hug'

By RACHEL FEINTZEIG

Felicia Flewelling starts her workday with coffee, a quick Facebook check and a whirling embrace with her boss.

"You go in for like a regular hug and then you just spin in a circle," the 31-year-old receptionist says of her morning ritual with the chief executive of her company, Dovico Software Inc. "It makes it a lot easier to come into work."

Handshakes have given way to bear hugs, back pats and lin-

gering embraces in some corners of the corporate world. At luxury clothing brand Ted Baker PLC, TurboTax maker Intuit Inc. and Wheels & Deals Ltd. (called "Canada's Huggable Car Dealer"), top bosses greet em-

ployees, customers and other business associates with open arms.

Huggers say their touchy-feely approach breeds teamwork, trust and better business results. Huggees don't always agree. There are legal and physical risks to consider, not to mention the awkwardness of being embraced by the person who does your performance review.

The share of advertising and marketing executives who de-

scribed co-worker hugging as

Please see HUGS page A10

Embraceable You: When the CEO Is a Hugger



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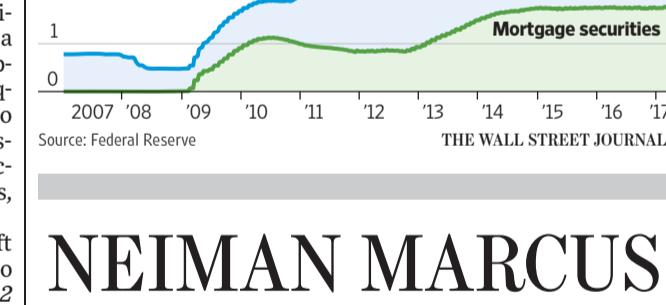
scribed co-worker hugging as

Please see HUGS page A10

Fed Prepares to Trim Its Holdings

After loading up on mortgage and Treasury securities, the Federal Reserve is working on a plan to wind them down. The process could be a challenge for investors used to easy money from the central bank. **A2**

Fed's balance sheet growth during the financial crisis and its aftermath



Source: Federal Reserve

NEIMAN MARCUS FINDS WEALTHY WANT DEALS

High-end retailers, after years of raising prices, are now facing troubles of mass-market chains

BY SUZANNE KAPNER
AND RYAN DEZEMBER

Lysa Heslov used to be a loyal Neiman Marcus shopper. Now, she buys most of her clothes, shoes and handbags at websites that carry the same designer brands, often at cheaper prices.

"I price compare now much more than I ever did before," said Ms. Heslov, a 52-year-old documentary film director who lives in Los Angeles.

Neiman Marcus and other luxury retailers were long thought immune to the troubles of mass-market chains—falling foot traffic and the constant price wars that have triggered widespread closure of brick-and-mortar stores.

But high-end chains, which raised prices incessantly over the past decade, are learning the hard way that even wealthy customers are hunting for better deals and selection, whether online or at shops run by individual brands.

"Even a very rich person can say, 'Enough is enough,' when it comes to price," said Matthew Singer, Neiman's for-

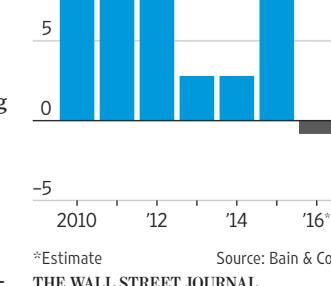
mer men's fashion director, now with his own clothing line.

Sales of personal luxury goods, such as designer apparel and handbags, fell 1% last year, the first decline since 2009, according to Bain & Co. The slowdown contrasts with 4% growth in the global

Please see NEIMAN page A10

Luxury Lag

Global personal luxury-goods market, change from a year earlier



*Estimate Source: Bain & Co.

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U.S. NEWS

Fed Works on Unwinding Its Portfolio



YURI GRIPAS/REUTERS

Fed Chairwoman Janet Yellen

The Federal Reserve is moving quickly to fill in the details of how it will wind down its securities holdings in the years ahead, a process that could start this year and become the next big challenge for investors grown accustomed to easy money from the world's most important central bank.

The Fed wants to move toward a smaller portfolio for several reasons. The economy is on a stronger footing, leaving less need for support

from a large bond portfolio. The large holdings have become a political liability, unpopular in Congress. Moreover, getting started now could relieve pressure on possible new leadership in 2018, when Fed Chairwoman Janet Yellen's term ends. Finally, officials want room to ramp the portfolio back up in a crisis if needed.

The Fed moved closer to agreement on the outlines of a plan at its March 14-15 meeting, according to an official account this month and interviews with officials. Officials want their benchmark federal-funds rate to remain the primary tool for managing monetary policy, which means once they start shrinking the balance sheet they want that process to run in the background with little ripple in the markets.

If the economy performs in line with the Fed's forecasts, the bank could begin allowing its holdings of Treasury secu-

rities and mortgage bonds to mature without reinvesting all of the proceeds into new securities later this year or early in 2018.

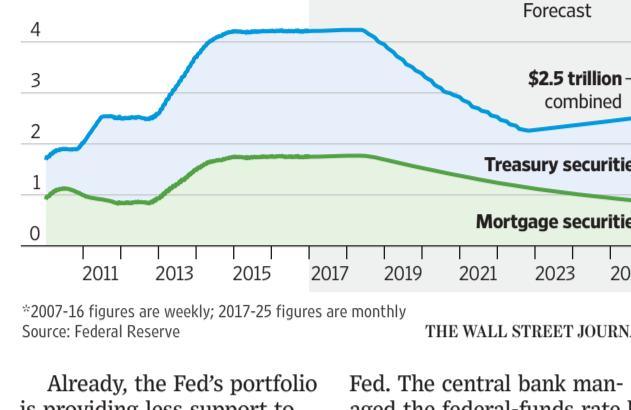
Officials have penciled in two more quarter-point rate increases this year. After that, the Fed could pause rate increases, set into motion its plan to shrink the balance sheet, and then return to its normal practice of raising short-term rates.

Among the issues the Fed is working to resolve: How large should the balance sheet be when the process ends? The Fed's holdings swelled to \$4.5 trillion from less than \$900 billion before the financial crisis in 2008 through asset-purchase programs aimed at lowering long-term interest rates and boosting economic growth.

Ramp Down

After loading up on mortgage and Treasury securities, the Fed is developing a plan to wind them down.

Simulation of how it could go postcrisis, based on a Fed board paper released in January*



*2007-16 figures are weekly; 2017-25 figures are monthly

Source: Federal Reserve

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Already, the Fed's portfolio is providing less support to the economy than before because it is holding fewer bonds with long maturities. Holding long-maturity bonds is stimulative because these are especially risky assets. Constraining that supply sends investors in search of other risky assets, lifting values of stocks, corporate bonds and other private holdings.

Even though the Fed will shrink its holdings from current levels, it will end up with more assets than it had before the crisis because its liabilities have grown—there is more currency in circulation and the U.S. Treasury has increased its cash balance.

Changes in how it sets interest rates will also make the portfolio larger than before. Before 2008, banks held relatively low levels of deposits—known as reserves—at the

Fed. The central bank managed the federal-funds rate by making small adjustments in those amounts through routine purchases and sales of Treasury securities.

Now, with a large portfolio, the Fed has left the banking system flush with trillions of dollars in reserves. It manages rates by paying interest on the holdings. New York Fed President William Dudley said this month he prefers keeping some excess reserves in the system—perhaps \$500 billion to \$1 trillion—which would mean keeping a larger portfolio of securities than before the crisis.

Economists at Goldman Sachs Group Inc. estimate the balance sheet could shrink to \$2 trillion if the Fed chooses to minimize reserves, and hover near \$2.9 trillion if the central bank wants a higher level of reserves.

ECONOMIC CALENDAR

The week ahead will feature a visit to Washington from the International Monetary Fund and the World Bank, as well as data on U.S. housing starts and existing home sales.

TUESDAY: The U.S. releases **March housing starts** data. New single-family home construction hit a 10-year high in February amid warm weather, steady job creation and rising demand. Figures for March may struggle to match that pace in the notoriously volatile report. Economists are forecasting a rate of 1.24 million for housing starts, down 3.9% from the prior month.

Vice President Mike Pence will hold the first round of **U.S.-Japan talks on trade and the economy** in Tokyo with Finance Minister Taro Aso. Officials are expected to set the agenda for the dialogue and release a statement, possibly including a timetable for future discussions.

WEDNESDAY: Japan will release merchandise trade data that are expected to show the country had ¥575.8 billion (\$5.3 billion) in surplus during March, down 23% from a year earlier. Im-

ports likely rose 8.2% on recovering energy prices, faster than an expected 6.9% increase in exports, according to economists.

THURSDAY: The International Monetary Fund and World Bank kick off their spring meetings with a slew of central-bank speakers.

Officials including Bank of Mexico head Agustin Carstens, Brazil's Ilan Goldfajn and the Bank of England's Mark Carney will speak in Washington. Optimism about a global economic recovery could be clouded by worries over protectionism in advanced economies.

FRIDAY: U.K. retail sales data will be parsed for signs that British consumers are reining in spending amid accelerating inflation and meager wage growth, a potential drag on economic growth just as the U.K. begins to negotiate its European Union exit.

The National Association of Realtors will release data on **existing-home sales for March**.

The market this year has been mixed, with signs that tight inventories and rising home prices are damping activity. Economists surveyed by The Wall Street Journal expect sales to rise 1.6%.

Celebration at Dawn



CARL JUSTE/ASSOCIATED PRESS

NEW DAY BEGINS: The sun rises behind altar servers during an Easter Sunday service by the Holy Rosary St. Richard Catholic Church at the historic Charles Deering Estate in Palmetto Bay, Fla.

FUND

Continued from Page One
may ask its staff members to make private-equity investments directly.

Other groups that compete for the money of endowments and pensions, including hedge funds and certain mutual funds, have posted outflows in recent years. Some have followed up by lowering fees.

But many private-equity firms have drawn outsize demand and gained the upper hand in setting fees, thanks in part to stronger performance than other asset classes.

Private-equity firms typically buy companies using money from pension funds and other investors, hoping to earn more in a later sale or public offering. Most funds require investors to pay up to 2% of assets under management and share as much as 20% of profits. Nearly 85% of Calpers's private-equity portfolio is held in such traditional funds.

"We are exploring a number of options, and no conclusions have been made," said spokesman Brad Pacheco. "We plan to discuss the review with our board over the summer."

It isn't known whether any of these moves would further reduce the fund's total private-equity portfolio, which amounted to \$25.7 billion as of January.

Calpers had actively reduced

Expensive Returns

Private equity was Calpers's best-performing and priciest asset over a 20-year period.

Annual class net returns

Returns	Fees
Private Equity	12.30%
Public Equity	8.20%
Fixed Income	0.04%
Real Estate	7.00%
Liquidity	0.01%

Note: Return period ending June 30, 2015

Source: Calpers

Portion of portfolio invested in private equity



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some of its desired exposure to private equity, recently lowering its target for total private-equity investments to 8% from a prior 10%. Today, the fund has about 8% in private equity down from more than 14% a few years ago.

Even though private equity has outperformed other Calpers assets over a recent two-decade period, no other investment has been so expensive. Private-equity returns were 12.3% in the 20 years ended June 30, 2015, but they would have been 19.3% without fees and costs.

Calpers's decision will be closely watched in the pension world, where direct private-equity investments are more

common among Canadian pensions than those in the U.S. Calpers, which typically acts as a bellwether for smaller funds, already has made other decisions to eliminate all hedge-fund holdings and sever ties with roughly two-thirds of the private-equity firms that handle its money. It oversees retirement assets for 1.8 million active or retired police officers, firefighters and other public employees.

Calpers's private-equity review, which began in late 2016, is being led by Chief Investment Officer Ted Eliopoulos and investment director John Cole, according to people familiar with the matter. Another worry was that Calpers would be competing with the same outside man-

who was in charge of the private-equity portfolio, Real Des Rochers, left Calpers this month to join an unnamed financial institution overseas. His departure wasn't related to the review, said people familiar with the matter.

The subject of fees paid to Calpers's private-equity managers surfaced as a prominent issue after an April 2015 board meeting when a top pension official acknowledged the fund wasn't able to provide a full accounting of all private-equity costs.

Private-equity funds have complicated, and often opaque, fee structures. Calpers sped up efforts to track fees, and the pension fund disclosed later that year that it had paid \$3.4 billion in performance fees to private-equity managers since 1990.

Other public pension funds also have disclosed that total costs associated with these investments were as much as 100% higher than they originally reported.

But there are complications involved in moving to a more direct approach. Calpers reviewed the possibility of setting up a direct investment arm for private equity about two decades ago but ultimately abandoned the plan because of concerns that it wouldn't be able to sufficiently compensate and attract top investment talent, according to people familiar with the matter. Another worry was that Calpers would be competing with the same outside man-

agers that handled its assets, these people said.

Some of the alternative models now under consideration would exist outside the confines of Calpers, increasing flexibility to pay salaries that would attract top private-equity managers.

Calpers's private-equity managers do some limited direct investing but not enough to affect returns substantially, according to a presentation last year by the pension fund's former private-equity consultant.

Calpers also is studying an increase in the pension fund's \$3 billion investment in customized accounts, where Calpers partners with external managers to create a fund where it acts as the sole investor.

Those involved in the review

have reached out to other investors for advice, said a person close to Calpers, including certain retirement systems in Canada, where some funds have a bigger hand in their private-equity acquisitions.

CORRECTIONS & AMPLIFICATIONS

Sen. Claire McCaskill's campaign said she received donations from more than 5,500 first-time contributors in Missouri in the first quarter. A U.S.

News article on Saturday about fundraising by Senate Democrats incorrectly implied the number represented all first-time contributors.

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Trump Is Set to Fill Post at Fed Overseeing Big Banks

BY NICK TIMIRAO AND PETER NICHOLAS

WASHINGTON—A former top Treasury Department official in the George W. Bush administration is expected to be President Donald Trump's pick for a top financial regulatory post at the Federal Reserve, a senior official familiar with the matter said Sunday.

Officials at the March meeting seemed inclined to phase out the holdings gradually. That would add only around a year to an already drawn-out process, and officials may conclude it is a small price to avoid a rerun of the 2013 "taper tantrum" on Wall Street, when the Fed signaled an end to its asset purchases, roiling bond markets and sending up rates.

Finally, the Fed needs to manage the composition of its holdings.

Officials have said once they get the balance sheet steady, they want almost all holdings in Treasuries, not mortgages. But because their mortgage bonds have longer durations, the Fed could hold a much larger share of mortgage bonds once the balance sheet stabilizes. This could prompt the Fed to remix its portfolio down the road.

To avoid roiling markets, officials aren't inclined to engage in large-scale sales of the mortgage holdings.

More details about the strategy are likely to emerge in the months ahead.

Mr. Quarles said in a 2015 interview with Bloomberg TV that repealing the Dodd-Frank law altogether is "politically very difficult," but that significant changes to the law were worth considering.

Mr. Quarles is seen as less ideological than other candidates the Trump administration had considered for the job.

In the same interview, Mr. Quarles said he supported efforts to create more predictable monetary policy by having the Fed follow a simple rule, or formula, to set interest rates that uses measures of inflation and economic slack. At the time, he said the Fed's approach to monetary policy was increasing uncertainty in the markets.

Officials in the Trump administration have said filling the vice chairman's job is a priority and broadened their search in recent weeks.

Mr. Quarles served at Treasury from 2001 to 2006, including as undersecretary for domestic finance in his final two years at the department. He was a partner of the Carlyle Group, one of the world's largest private-equity firms. He also served at the Treasury in

U.S. NEWS

Builders See Big Appeal In Tiny Units

Not just in New York: Studios the size of hotel rooms are aimed at young in Midwest

By LAURA KUSISTO

Since Hannah Toth set out a few months ago to move from her parents' home in suburban Pittsburgh she has seen plenty of airy apartments of up to 900 square feet.

What caught her eye is a 360-square-foot studio roughly the size of her childhood bedroom for just over \$1,500 a month.

When Ms. Toth, 26 years old, tells family and friends about her decision, they ask, "You're looking to live somewhere that's how big, exactly?"

Ms. Toth said she liked that the studio comes fully furnished, and that its smaller energy footprint is more environmentally sustainable.

A Pittsburgh developer is betting that more 20-somethings will pay over \$1,500 a month for the tiny studios in its new building, called Ollie at Baumhaus, even though the space is so tight the beds double as couches.

It is a big risk in a city where the average apartment

rents for a modest \$979 a month, compared with nearly \$3,400 in the New York metropolitan area and more than \$2,800 in San Francisco, according to data provider Reis Inc.

A trend that started in pricey coastal cities as a response to rising rents is spreading to smaller cities that often have an abundance of relatively inexpensive housing options.

In Milwaukee, Cleveland, Detroit, and Kansas City, Mo., developers are betting on demand from young people to live in tiny quarters even when cost isn't the primary consideration.

Micro apartments generally come fully furnished with amenities such as wireless internet and in some cases maid service, at a price similar to those of larger traditional apartments. The compact units encourage people to use the common spaces more, creating a greater sense of community, developers say.

The developers are gambling that such amenities will help set the units apart in a crowded marketplace, where a rush of new building is coming online despite ample supply of affordable older housing stock.

"I think it will be an adjustment, for sure," said Dan Mullen,



Bedrock's Detroit units will average 260 square feet, but the company says tall ceilings and windows will help make them feel larger.

president of Bedrock, the development arm of mortgage magnate Dan Gilbert's family of companies. But tall ceilings and windows at his company's units help make the lofts feel larger, he added. "When you get in one of these units, it feels very spacious."

Bedrock's new micro-unit building in Detroit is set to open this summer, with 218 furnished units averaging 260 square feet each.

Mr. Mullen points to perks such as a flat-screen TV in the units and a rooftop terrace where tenants can watch movies. The apartments will rent for under \$1,000 a month—roughly in line with larger

studios in other new buildings, which typically don't include utilities and internet service.

The Pittsburgh building, which has 127 units and was developed by local firm Vitmore, will feature not just tiny apartments but also three-bedroom units designed to be shared by roommates.

Christopher Bledsoe, co-founder and chief executive of Ollie, a real-estate startup that is managing the project, said the building, set to open in June, will feature a community garden where renters can grow their own fruit and vegetables, an on-site manager who is a fitness instructor

and bartender, and cooking classes from local chefs.

The buzz around the mini units could help distinguish the building. Nearly 2,300 new apartment units were completed in Pittsburgh in 2016 and an additional roughly 1,800 are expected this year, according to MPF Research, a division of RealPage.

That compares with the historical average dating back to 2000 of 1,000 units a year.

In Kansas City, a developer will install queen-sized beds in case would-be residents want to get even cozier and share their 300-square-foot flats. The units will rent for \$700 to \$800 a month—about

in line with the average rent for apartments of all sizes, according to Reis.

"Young people today seem to be able to group together," said John Hoffman, a partner at UC-B Properties, which is developing the 50-unit building that is set to break ground in the coming months.

Mr. Hoffman said he modeled the units' design on a cruise-ship cabin. The sink doubles for both the kitchen and the bathroom, the microwave doubles as an oven and the fridge can handle "a six-pack of long-neck beer and a 12-inch pizza," he said, which is all he figures young people these days need.

Stillman College's Future Is Uncertain

By MELISSA KORN

Stillman College, a historically black school in Tuscaloosa, Ala., didn't run out of cash on Saturday as the interim president had warned could happen, but the school's financial future remains precarious.

Interim President Cynthia Warrick said Saturday that the school, which first held classes in 1876 and has 570 students, had received the \$275,000 in donations needed for its April payment on a federal loan for capital finance projects.

However, Dr. Warrick didn't know how much additional money had come in from alumni and others, saying that the school's financial administrators had been focused on completing the audited fiscal 2016 financial report, which was due at the end of March. "Now they're playing catch-up," she said.

In a letter dated March 20, Dr. Warrick, who took the interim role in January, pleaded to alumni for donations, saying the school would run out of cash by April 15 and needed \$2.8 million to cover debt service, payroll and operating expenses through August "to prevent the foreclosure of Stillman College."

The school hadn't been making regular payments on the \$40 million U.S. Education Department loan over the past two years, and was in danger of missing its April payment, according to the letter. The 2012 loan has \$39 million still outstanding, it said.

Dr. Warrick said in the letter that the loan is in default and, while the school made its \$265,000 March payment, missing the April debt service would lead the Education Department to "capture" all federal funds, estimated at about \$12 million annually. "These actions will essentially close the college," she wrote.

Dr. Warrick said Saturday she has been in talks "daily" with the Education Department and White House, and has asked for short-term loan relief until the school increases enrollment and begins bringing in more tuition revenue in the next school year.

Representatives from the Education Department didn't respond to requests for comment.



Alabama Church Wants Police Force

By IAN LOVETT

Alabama soon could allow a Birmingham church to establish its own police force, a move with little precedent in American history that would empower a religious group to do a job usually performed by the government.

The Alabama Senate last week approved a bill that would authorize Briarwood Presbyterian Church to create a police department. The state House is considering its own version of the bill.

The legislation would vest officers of the church's police department with "all of the powers of law enforcement officers in this state," including the powers to make arrests and use deadly force. The officers would have to be certified by the Alabama Peace Officers Standards and Training Commission.

Officials at Briarwood Presbyterian said concerns about security at the church have risen in recent years, after a string of shootings at schools and threats to houses of worship nationwide.

Currently, the church hires off-duty police officers to provide security, a common practice among nonprofit organizations. But with 4,000 congregants, a K-12 school and thousands of events on its campus each year, Briarwood officials said it often is difficult to find enough available officers.

"The sole purpose of this proposed legislation is to pro-

vide a safe environment for the church, its members, students and guests," Matt Moore, the church administrator, said in an email.

If the bill does become law, it is likely to face a legal challenge from the American Civil Liberties Union of Alabama, which has decried a church police department as an unconstitutional government endorsement of religion.

"Police powers are a quintessential government role," said Randall C. Marshall, legal director of the ACLU of Alabama. "Giving the powers of the state to a private religious organization is a...violation of the establishment clause" of the Constitution.

He added that the bill was also problematic because it singled out one particular church, while other religious organizations could later be denied similar privileges.

"They're willing to give police powers to Briarwood Presbyterian," Mr. Marshall said. "Are they willing to do the same for synagogues or mosques? That strikes me as being unlikely."

This isn't the first time Briarwood Presbyterian has tried to create its own police department. Last year, the Alabama legislature approved a similar bill, but Gov. Robert Bentley didn't sign it. Mr. Bentley stepped down last week amid a growing scandal, and the new governor, Kay Ivey, declined to comment about the bill.

Arkansas Seeks to Move Ahead With Executions

By JACOB GERSHMAN

Arkansas officials are contesting legal rulings that blocked the state from carrying out its plan to put to death at least half a dozen inmates within a span of days.

The Arkansas attorney general's office is asking a federal appeals court in St. Louis to vacate a federal judge's Saturday order that put a series of back-to-back executions on hold. U.S. District Judge Kristine Baker granted eight condemned inmates a preliminary injunction over concern about the state's lethal-injection protocol.

At issue is the drug, midazolam, that will be used in the executions. It is supposed to anesthetize the inmate from the pain of two other drugs in the lethal-injection cocktail. Lawyers for inmates have argued that midazolam is too unreliable as a sedative, creating an "intolerable risk" of pain that violates the Eighth Amendment's ban on cruel and unusual punishment.

The legal showdown came in the final days before the first of the executions is scheduled to take place on Monday. In February, Republican Gov. Asa Hutchinson scheduled eight executions between April 17 and April 27, three days before the expiration date of the state's lethal injection drugs. The compressed timetable has drawn fire from many quarters, including from former corrections officials.

Judge Baker wrote that the risk of pain is "exacerbated when considering the fact that the state has scheduled eight executions over 11 days, despite the fact that the state has not



Arkansas Gov. Asa Hutchinson had scheduled the executions.

executed an inmate since 2005."

Arkansas Attorney General Leslie Rutledge's office filed an emergency appeal of the injunction to the Eighth U.S. Circuit Court of Appeals.

"Appellees brutally murdered young mothers, children, and men who were unfortunate enough to cross their paths. Their guilt—and the justice of their sentences—is beyond dispute," her office wrote.

Delaying the executions "by even a few days—until after Arkansas's supply of midazolam expires—will make it impossible" for Arkansas to carry out the sentences, the emergency motion stated.

The state told the appeals court that Judge Baker's concerns with midazolam lacked sufficient scientific evidence and relied on a "few anecdotal accounts of executions in other states."

"We're hoping the Eighth

Circuit affirms Judge Baker's ruling," said Jeffrey Rosenzweig, an Arkansas attorney who represents three of the inmates.

Originally, the state planned to execute eight men in 11 days. The figure dropped to seven after a federal judge stayed the execution of Jason McGehee because his execution was scheduled too soon after a state parole board had recommended clemency.

The state's Supreme Court also halted the execution of another inmate, convicted murderer Bruce Ward, whose lawyers questioned his sanity.

If the Eighth Circuit reverses the injunction, it alone wouldn't give the state a green light to proceed with the other executions.

The state must also knock down a temporary restraining order imposed by Pulaski County Circuit Judge Wendell Griffen in response to a lawsuit by pharmaceutical company McKesson Medical-Surgical Inc.

In a complaint, McKesson said it was misled by Arkansas when it supplied the state with another lethal-injection drug.

The company has since withdrawn its complaint, but Judge Griffen's order still stands. The state has asked the Arkansas Supreme Court to reverse it and throw him off the case.

The state's appeal noted that on Friday, the same day Judge Griffen issued his ruling, he participated in anti-death-penalty rallies.

"Judge Griffen's conduct...makes it crystal clear that he cannot be considered impartial in matters related to the death penalty," the attorney general's office wrote.

Judge Griffen's conduct...makes it crystal clear that he cannot be considered impartial in matters related to the death penalty," the attorney general's office wrote.

A. Eric Johnston, a lawyer and longtime member of the Briarwood Presbyterian Church, drafted a bill that would authorize the church to create its own police department. The force, he said, would be no different from ones that already exist on some university campuses. Many religiously affiliated universities—including Notre Dame and Brigham Young University—have their own police.

Private security guards, Mr. Johnston said, "look very official, but I doubt they would have much idea what to do if a terrible situation arose."

Mr. Johnston has drafted other legislation in Alabama as well, including a 2014 ballot measure, widely known as the "anti-Shariah amendment,"

which prohibited foreign laws being used to decide cases in Alabama courts. That measure passed overwhelmingly.

Mr. Johnston said he decided not to include other churches in the bill, so the legislature could decide on a case-by-case basis which organizations should be allowed to have their own police.

But Robert W. Tuttle, a professor of law and religion at the George Washington University, said laws allowing universities to create their own police forces didn't take religion into account—colleges were free to establish departments whether or not they were religious. Mr. Tuttle called the Alabama bill "deeply suspicious" constitutionally. He said courts had made clear the government can't delegate essential functions, like running police forces or school systems, to religious organizations.

—Ian Lovett

U.S. NEWS

House Race in Georgia Tests Democrats

Effort to make Trump focus in contest for Atlanta-area seat held by GOP for decades

By NATALIE ANDREWS



Democrat Jon Ossoff, right, and Republican Karen Handel, above, are among the candidates vying to fill the House seat Tom Price vacated when he joined the cabinet.



ERIK S. LESSER/EUROPEAN PRESSPHOTO AGENCY/OSSOFF; JOHN BAZEMORE/ASSOCIATED PRESS

gia district favor Mr. Ossoff. Mr. Trump barely beat Democrat Hillary Clinton in the district in the presidential election, though Mr. Price won re-election in November with 62% of the vote.

A victory on Tuesday would buoy Democrats and give them hope ahead of the 2018 vote. But Republicans note 97% of Mr. Ossoff's first-quarter fundraising haul came from supporters outside the state.

"You could just close your eyes and rip a page out of the Yellow Pages and pick a name and let them run unopposed and give them \$10 million dollars and they'd win the primary on Tuesday," said Corry Bliss, executive director of the Congressional Leadership Fund, the House GOP leadership's super PAC fundraising committee. The group has spent \$3 million attacking Mr. Ossoff's record and has 90 staff members knocking on doors in the district.

The special election is also a test of how Mr. Trump's agenda is being received in districts with a high percentage of voters holding bachelor's degrees. The district is one of the best educated congressional districts in the country. In 2016, Mrs. Clinton won the top-10 most educated districts—with the exception of Georgia's Sixth District.

The special election Tuesday for a Georgia House seat will test whether newly energized Democrats can wrest from the Republicans a seat the GOP has held since Jimmy Carter was in the White House.

Democrats have raised unusually high sums in the race for Georgia's Sixth Congressional District, which former Rep. Tom Price vacated after President Donald Trump nominated him to be health and human services secretary. They aim to make the election a referendum on the president's first few months in office, while Republicans hope to force Tuesday's election to a runoff so voters can unite around a single GOP candidate. Republicans have held the seat since Newt Gingrich won it in 1978.

Though polling has been sparse, heading into the race Democrat Jon Ossoff, a documentary filmmaker and former congressional staffer, appears to have a commanding lead. "We don't have to wait until 2018—or 2020—to fight back against Donald Trump," he

says on his website, asking visitors for donations. And people have given—the campaign raised \$8.3 million in the first quarter of 2017.

Mr. Ossoff is part of a field of 18 candidates, including 11 Republicans, in the election. The top two finishers in Tuesday's race, regardless of party, will face one another in a June 20 runoff, unless the top candidate wins more than 50% of the vote.

Leading the Republicans in a poll released Friday are Karen Handel, a former Georgia secre-

tary of state, and former GOP state Sen. Judson Hill.

A poll of likely primary voters published Friday by Atlanta-based political firm Opinion Savvy put the Democrat at 41.5%, followed by Ms. Handel at 21.2%, and Mr. Hill at 11.3%. A Republican aide involved in the race said he feared recent polls underestimated Democratic support because they aren't counting low-propensity voters who he expected would turn out for the competitive election and skew Democratic.

If the election proceeds to a runoff, the race resets. GOP voters would likely coalesce around the sole remaining candidate facing Mr. Ossoff. The National Republican Congressional Committee, which has focused on engaging Republican voters without backing a single candidate, would jump in to support the Republican.

Democrats need to pick up 24 seats in the 2018 midterms to win the House majority, and the district in suburban Atlanta is widely viewed as the Democrats' best chance to win

a seat in the special elections to replace House members who joined the Trump administration. Republicans are favored in contests next month in Montana and South Carolina. A Republican won a Kansas special election last week.

On Sunday night, Mr. Trump posted on Twitter: "The recent Kansas election (Congress) was a really big media event, until the Republicans won. Now they play the same game with Georgia-BAD!"

Democrats hope the evolving demographics in the Geor-

Trump Rejects Protests Seeking Release of His Tax Returns



PALM BEACH, Fla.—President Donald Trump dismissed protests calling for him to disclose his tax returns as the work of political opponents unhappy about his election victory.

"Someone should look into who paid for the small organized rallies yesterday," he tweeted on Sunday. "The election is over!"

With Americans' tax returns due to be filed Tuesday, demonstrators in Washington, D.C., above, Palm Beach, Detroit and

other cities joined in protests Saturday demanding that Mr. Trump follow the practice of presidents in recent decades and make public his tax returns. Doing so, those involved in the demonstrations said, would help reassure the public that he is avoiding financial conflicts of interest that could arise given his real-estate holdings and far-flung business interests.

By the late 1970s it was common practice for presidential candidates to release their tax re-

turns. Beginning with Jimmy Carter, every president has released his returns while in office. A 1978 ethics law requires officeholders, including the president, to disclose their assets and sources of income, though not tax forms.

Organizers Sunday dismissed Mr. Trump's unsubstantiated claim that protesters were paid.

"As much as I'd love to have had some support from shadowy imaginary billionaires, that's not what happened," said Gwen Sny-

der, director of Philadelphia Jobs with Justice and the organizer of the Philadelphia march.

Mr. Trump and his advisers have advanced different reasons for why Mr. Trump has declined to release his tax records. He has cited a continuing IRS audit as the driving issue. Asked about the matter last week, White House press secretary Sean Spicer repeated the audit reason.

—Peter Nicholas
and Josh Zumbro

Kushner in Talks to Divest Tech Stake

By PETER GRANT

Jared Kushner, the son-in-law of President Donald Trump who has become a senior adviser in the White House, is in advanced talks to sell his stake in a real estate technology company to a venture-capital firm as part of his efforts to divest himself of many business ties, according to people familiar with the matter.

Mr. Kushner is close to selling his stake in WiredScore to a group including Los Angeles-based Fifth Wall Ventures, according to the people, as he moves to separate himself from conflicts of interest. The price and other group members couldn't be determined, and the talks could still end without a deal.

The divestiture is one of many Mr. Kushner is pursuing. Critics of the Trump administration contend that he, like Mr. Trump, still isn't doing enough and that conflicts still exist.

Arie Barendrecht, co-founder and chief executive of WiredScore, and a representative of Kushner Cos. both declined to comment.



Jared Kushner, a senior adviser in the White House

cording to startup-funding site CrunchBase. Late last year, Fifth Wall reported in a regulatory filing that it had raised \$159.3 million.

Mr. Wallace, an active "angel" investor, has bought stakes in startups such as Dollar Shave Club, Zenefits and Philz Coffee, according to his LinkedIn profile.

Mr. Kushner's disclosure forms state that he also owned stakes in funds tied to Thrive Capital, a venture-capital firm led by his brother, Joshua Kushner, that focuses on technology-based investments. He sold his stakes in two of those funds in February for a total of \$6 million to \$30 million, the forms state.

A Thrive spokesman declined to comment.

Richard Painter, the chief White House ethics lawyer under George W. Bush, said federal law doesn't "provide as much guidance on" how divestitures should be handled as much as it does other issues involving business ties of government officials.

But he said he would recommend that Mr. Kushner not be involved in negotiating the sale of his assets. He also suggested that Mr. Kushner probably should recuse himself from any government matter in the future involving the buyer of one of his assets.

A White House spokes-

woman didn't return calls for comment.

—Jean Eaglesham
and Keiko Morris
contributed to this article.

taxes first was to get them off the table ahead of the later, broader tax debate. In effect, the GOP's tax plan is just shuffling who pays the non-Obamacare taxes. That can happen if the Obamacare taxes are held to the side during the tax debate or repealed first, but the latter approach is probably easier.

That strategy creates benefits for Republicans. Politically, it keeps all of the groups lobbying to repeal the Obamacare taxes—investors, tanning salons, health insurance companies, medical device makers—in their own legislative space and away from the already acrimonious tax fight.

If the new health-care bill collapses and Republicans turn to a tax bill with those taxes still in place, or if they had turned to taxes first, there would be pressure to repeal some of the Obamacare taxes inside the bigger tax bill, complicating matters further.

Republicans aim to get health-law taxes off the table ahead of a broader tax debate.

Republicans are already struggling to limit deductions and other tax breaks to offset the tax-rate cuts they plan. That task gets harder if they also have to come up with money outside of health care to offset repeal of some Obamacare or health taxes.

Republicans are trying to resist those forces. Last month, after the House failed to vote on its health-care bill, House Speaker Paul Ryan (R., Wis.) said the health law's taxes would stay in their own silo, tied to some future health bill.

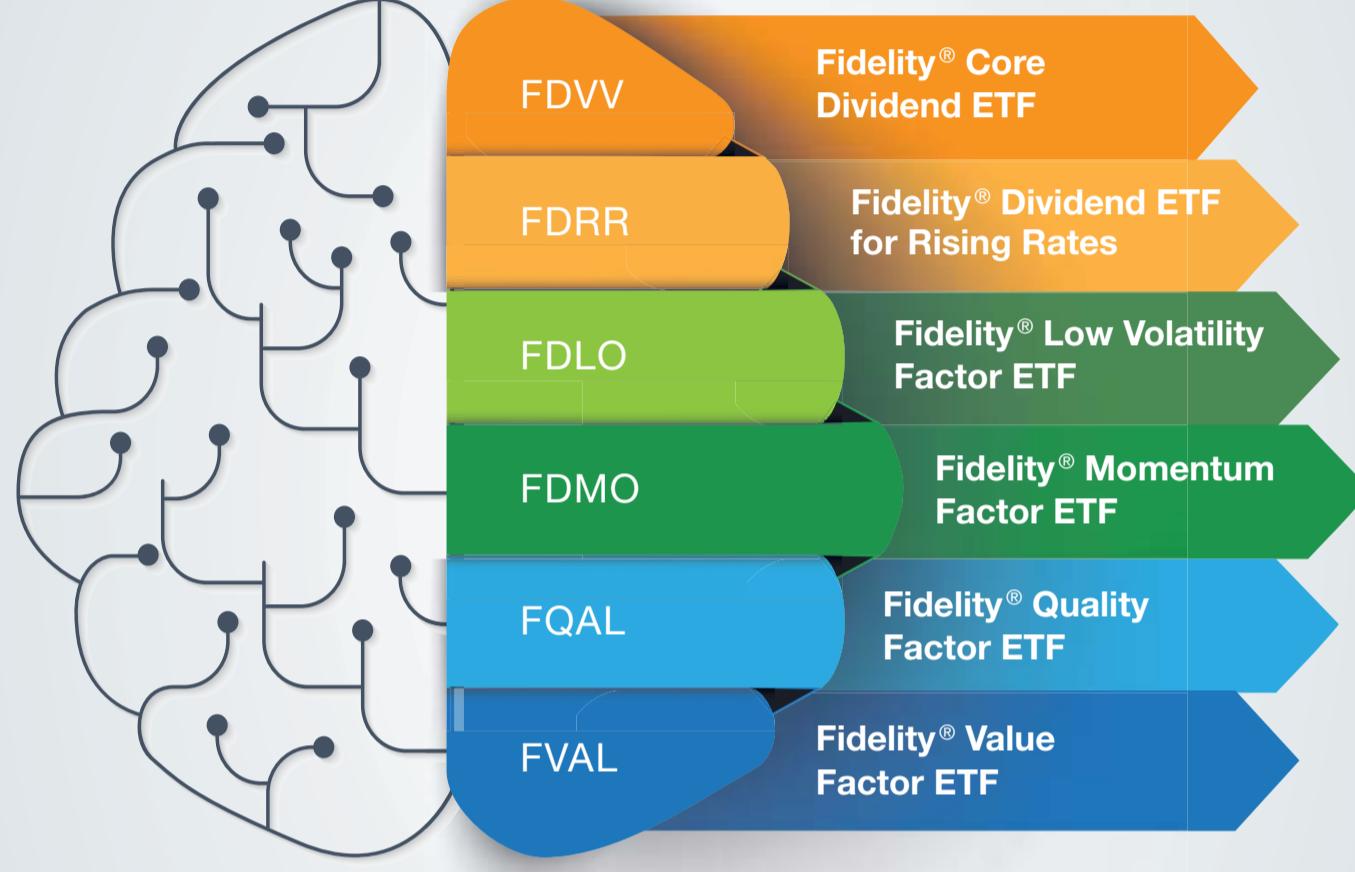
But if Mr. Trump's next attempt to pass a health bill also falters, that line may be hard to hold.

"The members get to decide which other ones [taxes] are relevant," said Russ Sullivan, a former Democratic staff director on the Senate Finance Committee who is now at McGuireWoods LLP. "People who want medical device tax repealed or whatever it is, they're going to another bill," and they will press to address them in a tax overhaul if that gains steam.

Leaving the health law's taxes in place—particularly the 3.8% tax on investment income—could pose challenges for the tax bill. Passive owners of many businesses pay their companies' taxes on their individual tax returns and face that 3.8% tax. If Republicans lower big corporations' tax rates and leave that 3.8% tax, business groups will likely object that they aren't getting parity.

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WORLD NEWS

Turkey Vote Ramps Up Tension With EU

President Erdogan's victory could pave way for cooperation with U.S., however

BY EMRE PEKER
AND LAURENCE NORMAN

Turkish President Recep Tayyip Erdogan's victory in Sunday's referendum could pave the way for pragmatic cooperation with the U.S. while setting him on a collision course with Europe, officials said.

Mr. Erdogan on Sunday declared victory, while his opposition vowed to challenge the results.

Voters narrowly approved constitutional amendments that will vastly expand Mr. Erdogan's power, giving him license to politically transform a North Atlantic Treaty Organization member that the U.S. and Europe have come to rely on as a partner in the fight against Islamic State, the Syrian war and efforts to curb the flow of migrants from the Middle East to the European Union.

The White House declined to comment Sunday about the results of the referendum.

A representative for the State Department said they were following the referendum voting outcome but would refrain from commenting until the results have been confirmed and would also await the initial findings from the Organization for Security and



Protestors gathered in Istanbul after the referendum outcome Sunday. Voters narrowly approved constitutional amendments.

Cooperation in Europe, which has been observing the referendum.

Among Mr. Erdogan's first moves Sunday night was to say he would seek to reinstate the death penalty, which Turkey scrapped as a condition for starting accession talks with the EU. German Chancellor Angela Merkel has said such a step is in "no way compatible"

with EU membership. Other officials have said it would mean the immediate end of accession talks.

Still on Sunday evening, European reaction to the vote was cautious.

European Commission President Jean-Claude Juncker and two other top officials said in a statement that they had taken note of the reported re-

sults in Turkey but would await the assessment of international monitors on the vote including on "alleged irregularities."

Turkish officials said ahead of the vote that there would be no abrupt changes in Ankara's foreign policy.

"On NATO, U.S. relations there will definitely be no change. Turkey's regional

power and position with its allies is clear," said Reha Denemec, a chief adviser to Mr. Erdogan.

For the Trump administration, a strengthened Mr. Erdogan might mean securing an agreement on a plan to oust Islamic State from Raqqa in Syria, the extremist jihadist group's de facto capital. The U.S. has long relied on Syrian

Kurdish forces that Turkey considers terrorists to fight Islamic State, stoking tensions among the NATO allies, but his referendum victory could give Mr. Erdogan latitude to be more flexible, American officials said.

A steady drumbeat of criticism from Brussels and EU governments over Turkey's alleged human-rights abuses and the erosion of the rule of law regularly strains relations, and the tensions could mount as Mr. Erdogan consolidates power.

"Our concern is that Erdogan will just rush ahead and...go towards what is basically one-man rule," a Western diplomat said. "Let's not sugarcoat it."

Ahead of the referendum, Mr. Erdogan charged the EU with meddling in Turkey's internal affairs and advocated reinstating capital punishment.

In recent months, Mr. Erdogan has slammed the West for its slow response to last July's military coup and repeatedly threatened to tear up a migration deal with Europe that has helped stem the flow of Syrian refugees into the bloc. Ankara is angry that more than a year after the deal, the EU hasn't provided visa-free travel to Europe for Turkish nationals or accelerated Turkey's stalled accession talks to join the EU. European officials say both steps depend on political reforms at home.

—Josh Zumbrun
in Washington
contributed to this article.

Erdogan's Narrow Win Could End Up Undermining Him



MIDDLE EAST CROSSROADS
YAROSLAV TROFIMOV

This isn't the kind of victory that Recep Tayyip Erdogan wanted.

Turkey's president, after all, has long enjoyed most of the executive powers that he formally obtained in Sunday's vote on constitutional changes. His role as head of the country's governing party, with its pliant parliamentary majority, ensured that real authority was already concentrated in the presidential palace.

What Mr. Erdogan needed,

after the July coup attempt against him, was a public affirmation of his leadership—and of his drive to root out dissent. That drive saw hundreds of thousands of opponents, including most leaders of the second-largest opposition party in parliament, hounded from their jobs or thrown behind bars.

With the broadcast media under tight state control and "No" campaigners branded by government officials as traitors or terrorists, Mr. Erdogan's aides just a few weeks ago confidently predicted that "Yes" would carry the referendum by 60% or more.

Instead, despite all the intimidation and the widespread reports of fraud during Sunday's vote, the preliminary results, as released by Anadolu state news agency, showed "Yes" barely eking it out at 51.2% versus 48.8%.

That didn't deter Mr. Erdogan from issuing congratulations on the victory. "The

entire country has triumphed," he said, calling for an end to "unnecessary discussions."

In a speech to a crowd of supporters gathered under the rain in front of ruling party headquarters, Prime Minister Binali Yildirim described the vote as providing a popular mandate for Mr. Erdogan. "It's a turning point in the history of our democracy," he said. "Against the traitors and dividers we stood united as a nation."

Yet, instead of cementing Mr. Erdogan's authority, such a thin—and contested—margin may end up threatening his ability to govern unchallenged in the months to come.

"Erdogan may discover that this is a Pyrrhic victory," said Henri Barkey, director of the Middle East program at the Woodrow Wilson Center in Washington. "He may have won now, but he may find

that in the medium term opposition to him at home and abroad may harden."

Turkey's opposition politicians have already claimed that massive fraud has occurred, particularly in the ruling party's strongholds in



Recep Tayyip Erdogan on Sunday night called for an end to 'unnecessary discussions.'

rural Anatolia and in the war-ravaged Kurdish areas of southeast Turkey. These complaints are likely to further delegitimize the result in the eyes of many Turks opposed to Mr. Erdogan.

"It's the first election in which people have serious doubts about the legitimacy of the process," said Asli Aydintasbas, senior fellow at

the European Council on Foreign Relations. "This means nothing gets solved, and this remains a deeply polarized and divided country."

With opposition parties formally challenging a significant proportion of the ballots, fraud claims have the potential to dominate the aftermath of the vote. With Mr. Erdogan in firm control of security amid the continuing state of emergency, it is unlikely—but not impossible—that such a belief that the referendum was stolen could also translate into a new wave of street protests.

One of the reasons why the Turkish government expected a much more solid victory is because Mr. Erdogan's Justice and Development Party, or AKP, secured the backing of the leadership of the nationalist MHP party for his constitutional changes. Together, the two parties gained more than 61% of the vote in the latest parliamentary elec-

tions, in November 2015—significantly more than "Yes" scored on Sunday.

"It's a terrible result for him," said Timur Kuran, a professor at Duke University. "What this indicates is that there are considerable shares of the nationalist and AKP votes that don't want Erdogan to have dictatorial powers."

ominously for Mr. Erdogan, both Istanbul, his hometown and the city where he launched his political career as a popular mayor, and capital Ankara, home to Turkey's bureaucracy, sided with "No." So did several other major cities, such as Izmir, Adana and Antalya.

"It is significant that Turkey's dynamic economic centers have rejected the centralized presidential system," said Aykan Erdemir, a former Turkish opposition lawmaker and a fellow at the Foundation for Defense of Democracies, a think tank.



Unofficial results showed Mr. Erdogan's 'yes' side garnering 51.2% of the vote, and 48.8% opposed.

dozens of opposition lawmakers and local elected officials, dismissed more than 120,000 civil servants and other government employees and closed roughly 140 media outlets.

Mr. Erdogan's rivals vowed to challenge the results. The head of the main opposition Republican People's Party, or CHP, said he would demand a recount. Kemal Kilicdaroglu alleged that upward of 2.5 million of the approximately 48 million votes cast could have been tampered with. Other opposition parties reported ballot stuffing by the "yes" side. The unofficial vote tallies show the two sides separated by approximately 1.1 million votes.

The sizable number of dissenters in Sunday's contest signaled the depth of unease

with the government's post-coup crackdown and revealed the deep polarization in this nation of 80 million. Many secularists, liberals and ethnic minority Kurds opposed constitutional changes that they fear will enshrine a majoritarian practice of democracy that marginalizes millions of Turks from political life.

The reforms will radically alter Turkey's governing structures—but not overnight. The current system of a parliamentary government headed by a prime minister will be abolished as soon as the country holds its next national election, now set for 2019.

After that, expanded executive powers would rest with the president, who would be able to impose decrees, ap-

point vice presidents and cabinet members without legislative oversight and wield significant influence over judicial appointments.

Meanwhile, the state of emergency remains in effect and parliament has no power to challenge any of the decrees passed by Mr. Erdogan and his National Security Council. The most recent extension of emergency powers expires this month, and Mr. Erdogan has indicated he would extend them again.

The constitutional advisory body of the Council of Europe—a multilateral human rights and democracy organization of which Turkey is a member—has said that the amendments could lead to a "one-person regime." Mr. Erdogan's supporters dismiss those concerns.

Criticism of the changes to the system have targeted Erdogan, because he is so strong," said Reha Denemec, an adviser to the Turkish president. "It's impossible to have a dictatorship where there are polls."

Mr. Erdogan argued that the more concentrated decision-making would help boost Turkey's economy and improve the government's ability to protect citizens against terror threats from Islamic State and the separatist Kurdistan Workers' Party.

His message of strength resonated with many voters.

Fatima Demirci, a 59-year-old homemaker in Istanbul, said she voted "yes" because she thought it would bring more stability and prosperity.

"Don't the youth today know what Turkey once was? We waited in lines to buy cooking oil," she said.

During the campaign, Mr. Erdogan courted the support of nationalists by criticizing U.S. policies in Syria and taking swipes at Europe, among other things, threatening to bus Syrian refugees to the EU.

Mr. Erdogan's main base of support is pious Muslims who believe their religion should harmoniously infuse governance and life. They point to their leader's unbroken streak of winning seven straight elections as proof that democracy is successful in Turkey.

The opposition, however, said the referendum showed the opposite—that democracy has become endangered.

WORLD NEWS

Bomb Kills Dozens Of Syrian Evacuees

BY RAJA ABDULRAHIM
AND NOAM RAYDAN

ANTAKYA, Turkey—Some 3,000 residents and pro-government fighters were expected to evacuate a besieged Syrian town Sunday as part of a continuing population transfer deal, the day after a car bomb targeting a convoy of evacuees killed more than 125 people.

The new wave was expected to leave the Shiite Muslim town of Fua in northern Idlib province in exchange for the release of 500 civilians and rebels held prisoner by President Bashar al-Assad's regime, according to rebel groups.

Saturday's attack struck the convoy of buses on the outskirts of Aleppo city, killing pro-regime fighters, civilians and opposition rebels, rescue workers and monitoring groups said.

The targeting of people on

both sides of Syria's conflict has made it difficult to assess who could have been responsible for the bombing.

It struck inside rebel-held territory, near an exchange point where sets of convoys from rebel and regime-held towns were to be traded between forces.

The evacuations are part of a deal brokered last month to evacuate thousands of civilians, rebel and pro-regime fighters from two towns besieged by regime forces, Madaya and Zabadani, and two others under siege by rebels, including Fua.

It is the latest in a series of population transfers that are reshaping Syria.

Rebels and state media said hours after the blast that the evacuation swap had gone ahead, with people from both convoys eventually reaching their final destinations.

Dozens of civilians were among the dead, according to

U.K.-based opposition monitor the Syrian Observatory for Human Rights, including 68 children and 13 women.

The others killed included evacuated pro-regime fighters and rebels who were escorting the convoy, it said.

Rebel groups blamed the regime for the attack, saying the bomb exploded after it sent carloads of food to the convoy carrying its supporters.

But Syrian state media blamed "terrorists," the term it uses to refer to armed rebels, saying they had targeted some of the 75 buses and 20 ambulances carrying evacuees.

Some 5,000 residents and pro-regime fighters had left the two Shiite Muslim towns Friday morning, escorted by rebel fighters, and arrived at an exchange point in opposition-held territory on the outskirts of Aleppo city, which was retaken by President



A bus that was blown up during Saturday's bombings in Aleppo province, seen on Sunday

Bashar al-Assad's regime in December.

More than 3,000 other residents and rebels concurrently left the Damascus suburbs of Madaya, which is Sunni majority and rebel-held, and traveled north toward the exchange point.

But due to a disagreement over the number of pro-regime fighters who had been allowed

to leave Fua and Kafraha, both convoys spent the night near the exchange point waiting to cross into friendly territory,

according to Ahrar Al Sham, one of the rebel factions involved in negotiating and overseeing the evacuation deal.

State media reported Sunday that a protest was held in a large public square in the

city of Aleppo condemning the attack.

The demonstration sought to "condemn the international silence over the ongoing crimes of terrorism against our Syrian people, and it is a message to the world that Syria will remain strong," the Syrian Arab News Agency quoted Aleppo provincial Gov. Hussein Diab as saying.

China GDP Grows by 6.9%, Fastest Pace Since 2015

BY MARK MAGNIER

BELING—Higher growth returned to China as policies to stimulate the economy gathered steam while Beijing juggled measures to rein in risk.

China registered growth of 6.9% in the first quarter, its fastest pace since the third quarter of 2015, fueled by credit and infrastructure spending as well as a stubbornly booming property market.

The pace was a notch up from the 6.8% in the previous quarter and put China well ahead of its annual target of about 6.5% growth. Economists say they expect the credit-fueled growth momentum to carry the world's second-largest economy into the

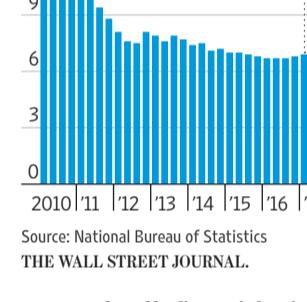
second quarter before losing momentum. "They banked growth in the first half, so they can afford to have it slow later," said IHS Markit Ltd. economist Brian Jackson.

The buoyant growth is welcome in a key political year when Beijing is set to hold a once-in-five-years Communist Party congress to appoint top leaders. It is also likely to fuel more debt and bad loans at a time when China is trying to ward off longer-term instability and a possible financial crisis. China's total debt is an estimated 277% of the economy, up from 125% at the end of 2008.

Overall credit last month swelled even though Beijing has squeezed banks as a way

Notching Up

Change from a year earlier in China's quarterly GDP



Source: National Bureau of Statistics

THE WALL STREET JOURNAL

to ward off financial risk; much of the lending shifted to nontraditional sources.

The 6.9% figure, published

by the National Bureau of Statistics on Monday, was higher than a 6.8% increase forecast by economists polled by The Wall Street Journal.

For now, signs are that the economy is rumbling along steadily. Electricity consumption and rail freight—viewed by many economists as more reliable indicators of demand than China's headline gross domestic product figure—posted strong increases in the first quarter. China's official manufacturing purchasing managers' index also hit a five-year high in March, its eighth consecutive month in expansionary territory.

A still-robust housing market contributed to demand, while recent concerns over a

weakening currency and capital outflows have become less pressing as the yuan has stabilized against the dollar. Property sales in the first quarter rose over 20%.

But many of these drivers that have powered the recent expansion are expected to falter by the second half of 2017, economists said.

China's central bank has gradually tightened credit using short-term lending instruments, wary of rapidly rising debt and of growing speculation in asset markets. That along with increased mortgage and purchase restrictions are expected to weaken the property market in coming months—which accounts for 25% to 30% of China's econ-

omy. This has knock-on effects for construction and raw-material firms.

Fiscal spending rose more than 20% in the first quarter, though after years of debt-fueled investing in bridges, highways and high-speed rail lines, such stimulus is increasingly less productive for growth, economists say, given that many of the best projects are completed.

Consumption, spurred on last year by measures such as tax breaks for buyers of energy-efficient vehicles, decelerated in January and February before recovering in March, while commodity prices have likely peaked.

—Pei Li and Liyan Qi contributed to this article.

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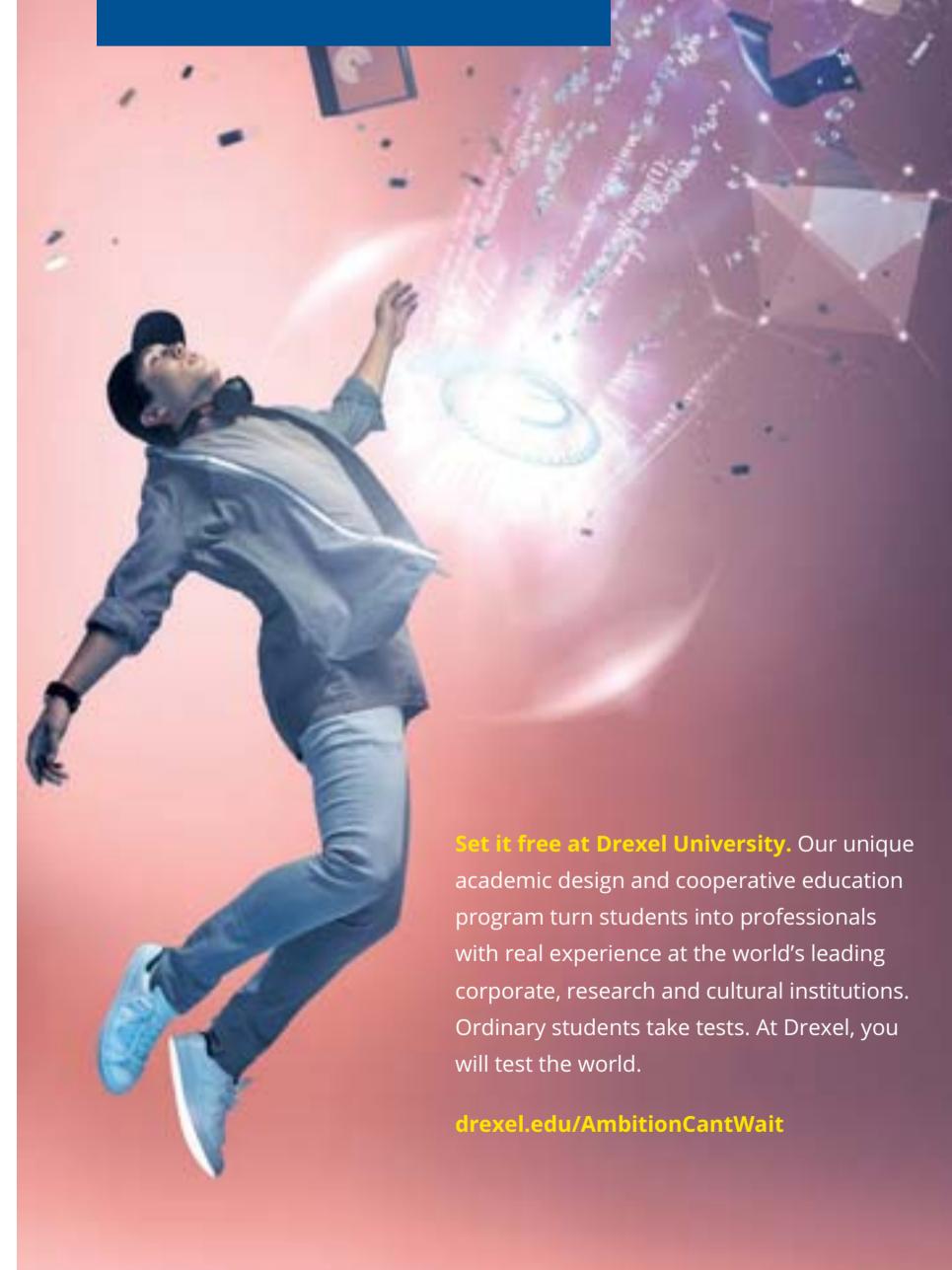
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WORLD NEWS

On Pence's Asia Visit, Security Tops Trade

Shared strategies set to take center stage after Pyongyang's latest missile test

The Trump administration will take its newly prominent globalism to the Pacific, as Vice President Mike Pence tours the region to reassure allies about a continuing U.S. presence.

By Peter Landers,
Takashi Nakamichi
and Jacob M.
Schlesinger

With North Korea escalating its nuclear-weapons program, shared security strategies are likely to overshadow the economic demands that President Donald Trump had pledged to give greater priority during last year's campaign and in the early days of his administration.

Mr. Pence arrived in Seoul on Sunday afternoon after a failed missile test by North Korea earlier in the day.

A key theme of Mr. Pence's trip—which after South Korea will continue through Japan, Indonesia, and Australia—will be that “we are fully committed to our security alliances, especially in the face of our evolving security challenges,” a senior administration official told reporters Thursday, laying out the agenda for the week.



Vice President Mike Pence on Monday looking from an observation post inside the demilitarized zone dividing North and South Korea.

KIM HONG-JI/REUTERS

While the vice president will also carry Mr. Trump's message of “how to level the playing field” in trade and hold “listening sessions” with business leaders along the way, Mr. Pence is also focused on trying to contain the fallout

from the president's withdrawal from the Trans-Pacific Partnership, an ambitious 12-nation trade pact negotiated by former President Barack Obama that was seen in Asia as a symbol of America's commitment to the region.

Another “purpose of the visit,” said the Trump administration official, is to show that “withdrawing from TPP shouldn't be seen as retreat from the region...On the contrary, that our economic presence...continues to grow.”

Mr. Trump himself signaled a security-over-economics pivot in Asia during an interview with The Wall Street Journal on Wednesday, when he said that he would be willing to soft-pedal his demands that China cut its trade deficit

if Beijing would help more to rein in Pyongyang.

The Trump trade agenda will get its most prominent airing Tuesday in Tokyo, where Mr. Pence is slated to kick off a new “economic dialogue” first discussed when Japanese Prime Minister Shinzo Abe visited Mr. Trump in February.

While some Trump officials see that as a launchpad for a new bilateral trade agreement aimed at cutting Japan's trade surplus with the U.S., Tokyo hopes to be the latest beneficiary of what appears to be emerging as a gentler U.S. trade policy after Mr. Trump said Wednesday he didn't think China was a currency manipulator and his administration has also signaled that it will seek only modest changes to the North American Free Trade Agreement he had once branded a “disaster.”

During his campaign, Mr. Trump frequently described Japan as taking advantage of Americans.

But, as with other countries, Mr. Trump has recently toned down his rhetoric.

During his two-day summit with Mr. Abe—which included multiple rounds of golf at the president's Florida resort—Mr. Trump agreed to let economic issues be hashed out between Mr. Pence and the No. 2 man in Japan's government, Deputy Prime Minister and Finance Minister Taro Aso.

KOREA

Continued from Page One
in a tweet Sunday wrote: “We will see what happens!”

A senior U.S. official said the White House was remaining low-key to give China time to press North Korea to ease tensions before moving to other measures, such as sanctions against North Korea that would hurt Chinese companies.

The U.S. response also was restrained because Pyongyang's test, believed to be of a medium-range missile, was no more provocative than the last two conducted during Mr. Trump's presidency. “We're trying to keep our response muted for a number of reasons, not the least of which is because it failed,” the U.S. official said.

Sunday's missile test came the same weekend Vice President Mike Pence arrived in South Korea, part of a planned tour of the region to reassure allies about a continuing U.S. presence. On Monday, Mr. Pence visited the demilitarized zone separating North and South Korea.

U.S. officials were still assessing the nature of the weaponry that North Korea displayed in a public parade over the weekend. That appeared to include at least one new inter-continental ballistic missile, or ICBM.

Prior to the launch, U.S. intelligence analysts had concluded that North Korea possessed the components necessary to build an ICBM that could reach the U.S. mainland, a U.S. official said.

But it is unclear whether Pyongyang has actually built the missile, the official added. North Korea has never test fired an ICBM, though U.S. officials have braced for such a test for months.

An ICBM would be capable of reaching U.S. cities. While North Korea has on five occasions detonated nuclear devices and showed off what appeared to be an ICBM over the weekend, Pyongyang apparently hasn't been able to master the final piece—designing a nuclear weapon small enough to fit atop an ICBM, officials and experts say.

But the development of a functioning ICBM would mark a significant and alarming advance in the North Korea's weapons capability.

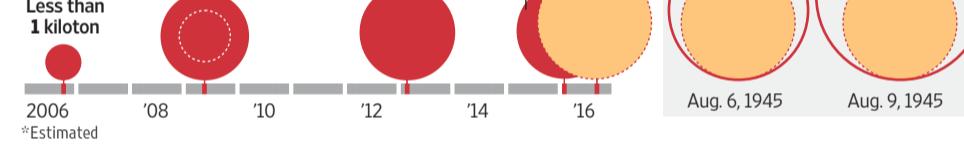
Another senior U.S. official said that had North Korea tested an ICBM—whether successfully or not—or conducted a sixth nuclear test, the Trump administration would have responded with robust diplomatic and economic measures, though not a military strike. The administration still anticipates North Korea could try another launch at any time, the official said.

In recent days, Trump administration officials were preparing for what they expected would be a sixth test of a nu-

A Rising Threat

North Korea has steadily advanced both its nuclear capabilities and its ballistic-missile technology, which combined pose an ever-greater risk to the U.S. and its allies.

Explosive power of North Korean bomb tests



*Estimated

Hiroshima

15 kilotons

Nagasaki

22 kilotons

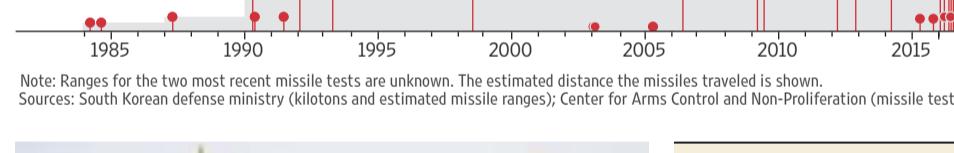
Aug. 6, 1945

Aug. 9, 1945

Estimated range of North Korean missile tests

Pyongyang has drastically ramped up the frequency of missile launches.

• Each test ■ Range capability



Note: Ranges for the two most recent missile tests are unknown. The estimated distance the missiles traveled is shown.

Sources: South Korean defense ministry (kilometers and estimated missile ranges); Center for Arms Control and Non-Proliferation (missile tests)



A submarine missile shown at a military parade in Pyongyang on Saturday to celebrate Kim Il Sung, North Korea's late founder.

clear device, timed to the Saturday observance of the birthday of the regime's founder Kim Il Sung.

the defense of America in this part of the world,” Mr. Pence told U.S. troops Sunday in South Korea.

North Korea's missile launched Sunday failed about four to five seconds after ignition, in what Deputy National Security Adviser K.T. McFarland described Sunday as a “fizzle.” South Korean Joint Chiefs of Staff officials said they were working on analyzing the type of missile launched.

Experts said the failed missile launch on Sunday, while less dramatic than a successful one, suggested that North Korea was testing new capabilities that it hadn't yet fully acquired, and was thus potentially more troubling than a successful test of technologies it has already mastered.

“Even though this was a failed missile, they get better and they learn lessons,” Gen. McFarland said.

U.S. officials also expressed some doubt about precisely what materiel North Korea paraded on Saturday. “There were some canisters, which may or may not have held missiles,” Ms. McFarland said.

Still, the lavish parade in central Pyongyang revealed that North Korea may be work-

Pyongyang's Missile Tests at a Glance

2016

Sept. 20: North Korea said it had successfully tested a high-powered rocket engine for launching satellites, elevating concerns it was making progress in developing a long-range ballistic missile.

2017

Feb. 12: A North Korean ballis-

tic missile landed in the Sea of Japan while President Donald Trump was hosting Japanese Prime Minister Shinzo Abe in the U.S.

March 6: North Korea fired four ballistic missiles that flew about 620 miles before landing off its east coast.

March 22: Pyongyang attempted to fire a missile from its east coast, but it apparently exploded within seconds of launch, according to officials from both the U.S. and South Korea.

April 5: North Korea launched a medium-range ballistic missile that flew about 35 miles before splashing down in the waters between Japan and the Korean Peninsula, South Korean military officials said. A U.S. official identified it as a KN-15.

April 16: A North Korean ballistic missile blew up soon after it was fired from Sinpo, a site on the country's east coast, U.S. military officials said. It was likely a medium-range missile, not an intercontinental ballistic missile capable of reaching the U.S.

Source: WSJ reporting

ing on as many as three new intercontinental ballistic missiles — a display of ambition that came as a surprise to weapons experts.

“Usually they show us one or two new things, but this time they were saying, ‘We want you to take in this array of new things,’ ” said Jeffrey Lewis, director of the East Asia Nonproliferation Program at the Middlebury Institute of International Studies in Monterey, Calif. “The scale of their ambition is much bigger than we give them credit for.”

The failure of Sunday's missile launch appeared to buy more time for Mr. Trump's efforts to persuade China to ratchet up economic pressure on North Korea.

Mr. Trump said in an interview with The Wall Street Journal last week that he had offered Chinese President Xi Jinping a better trade deal in exchange for new pressure on Pyongyang from Beijing. Yet Mr. Trump also said he doesn't believe China has as much power over North Korea as some experts have thought.

Gen. McMaster said North Korea was “very vulnerable to pressure from the Chinese” because of its reliance on its

neighbor for energy and trade.

Mr. Trump signed off on a North Korea strategy before his meeting with Mr. Xi earlier this month.

As part of it, the U.S. is looking for China to take steps that choke off its economic lifeline to North Korea. The U.S. is also looking for China to apply diplomatic pressure on North Korea.

Mr. Trump on Sunday suggested on Twitter that China was broadly on board with applying pressure on North Korea, defending his decision not to label China a currency manipulator. “Why would I call China a currency manipulator when they are working with us on the North Korean problem?” he tweeted.

Under pressure from Washington, Beijing appears to have taken some limited steps in recent weeks to use its economic leverage to rein in the North Korean leadership, though China remains wary of using economic clout in a way that might topple the North Korean government.

That could unleash a flood of refugees into northeastern China and bring U.S. troops closer to the Chinese border.

China banned coal imports

from North Korea in February and has been sending some ships bearing coal back to North Korea from Chinese ports, according to the Chinese government.

China's coal imports from North Korea were down 51.6% in the first quarter from a year earlier, though overall trade between the two countries rose by 37.4% in the same period, according to China's General Administration of Customs.

China imports iron ore and other mineral resources from North Korea, as well as seafood and garments, while North Korea imports Chinese oil, food, machinery and consumer products.

The Chinese national carrier, Air China, suspended flights between Beijing and the North Korean capital, Pyongyang, on Friday, according to representatives of the airline. One said tickets on the route weren't available until at least the end of May.

“We've seen the Chinese already take some initial steps towards that,” a foreign policy adviser to Mr. Pence said. “Many steps still to take, but I think it's a good first step.”

—Shane Harris contributed to this article.

WORLD WATCH

MEXICO

Fugitive Ex-Governor Found in Guatemala

Javier Duarte, the fugitive former governor of Veracruz state, was arrested in Guatemala on charges of racketeering and embezzlement, officials said.

Mr. Duarte had eluded authorities since escaping on a government helicopter in October, the same day authorities asked a judge for an arrest warrant. Guatemalan police captured Mr. Duarte on Saturday, Mexico's attorney general's office said.

Mr. Duarte left an economic disaster in Veracruz. Federal and state auditors said around \$2.5 billion spent by his administration, which ended in 2016, was unaccounted for. Federal investigators say Mr. Duarte was the mastermind behind a web of phantom companies that diverted millions of dollars of public funds. Mr. Duarte has said he is innocent of all charges.

—Juan Montes

EGYPT

Court Acquits American Citizen

An Egyptian court on Sunday acquitted Aya Hijazi, a dual U.S.-Egyptian citizen who has been held in detention for nearly three years over accusations related to a nongovernmental organization she founded to aid street children.

Authorities arrested Ms. Hijazi, her husband and six others in May 2014 on charges of abusing children that were widely dismissed as bogus by human-rights groups and senior U.S. officials, who called for her release. Prosecutors provided little evidence to support the allegations. The arrests came as part of a clampdown on civil society, particularly human-rights groups and other organizations that receive foreign funding, following the military overthrow of an elected Islamist president in 2013.

Ms. Hijazi's Egyptian lawyer, Taher Abol Nasr, said she would likely remain in detention another two to three days while her acquittal is processed. He expects all the defendants to be freed by the end of the week.

—Associated Press

WORLD NEWS

The Quest to Restore an Empire

Anton Bakov has traveled the world looking for a place to revive Russia's Romanov dynasty

By JAMES MARSON

Anton Bakov says he needs just a few square miles of land to restore the Russian Empire.

The millionaire businessman's search for a place to revive the Romanov dynasty that ruled Russia for 300 years has taken him from nearby Montenegro to the shores of western Africa and a Pacific archipelago 2,500 miles southwest of Hawaii.

"It's the duty of all patriots of Russia who remain faithful to the oath to the empire," says Mr. Bakov, who styles himself archchancellor of the Imperial Throne, a self-declared successor to the empire. "Alas, we are few."

A century after the revolution swept the Romanovs from power, polls show that restoring the monarchy is a minority faith. Russian President Vladimir Putin, for one, isn't in favor, his spokesman says. The Kremlin, which promotes a cautious and sometimes incongruous reverence for Russia's Soviet and imperial pasts, has kept commemoration of the centenary low-key.

Mr. Bakov, a former lawmaker who is now leader of the Monarchist Party of Russia, says that for now, he isn't trying to put the Romanovs back in the Kremlin. But he does want to restore their international legal status.

He created the Imperial Throne in 2011 and signed up 64-year-old German Prince Karl Emich of Leiningen, a scion of the Romanovs, as czar of the micronation. He scouted for land to locate the reborn empire, and added a business element, aiming to sell parcels of land along with princely titles.

"It has to be profitable, else it won't work," he says.

Not all monarchists are happy about Mr. Bakov's



Above, the Terem Palace in the Kremlin in Moscow, the main residence of the tsars in the 17th century. Below, Anton Bakov and his wife in Kiribati, where he hopes to establish a reborn Russian Empire.

plans. "It's mockery of the very idea of monarchy," said Alexander Zakatov, an aide to Maria Romanova, who styles herself grand duchess and head of the House of Romanov.

Mr. Bakov, a roly-poly 51-year-old with a broad smile, registered the Monarchist Party in 2012.

He recruited Prince Karl, who converted to Orthodoxy, adopted the name Nicholas III and wrote to Mr. Putin asking for land in Yekaterinburg, where Nicholas II and his close family were executed. The goal was to found a city state modeled on Vatican City.

No answer came, so Mr. Bakov widened his search. He bought a plot of land in Montenegro, a Balkan nation popular with wealthy Russians. But the government didn't embrace his empire-building plans. An attempt in Gambia, in western Africa, also failed.

Last year, Mr. Bakov turned his attention to Kiribati (pronounced Ki-ri-bas), an impoverished former British colony of some 100,000 inhabitants and 33 islands spread over an area as wide as the U.S. mainland.

Mr. Bakov proposed that three uninhabited islands be given a special status as the Romanov Empire. The businessman would channel \$20 million into the budget every year for six years and invest \$230 million on Malden island building a port, airport, power station and roads.

He persuaded local political and religious leaders to back his plan, fell in love with local seafood of all shapes and sizes and even, in the manner of empire-builders of earlier centuries, fended off inquisitive local wildlife when four crabs scurried into his hotel room.

However, opponents of the Kiribati plan appear to have



the upper hand. Mr. Bakov says he was ready to sign an agreement at the end of January. Then an email arrived from the government rejecting the proposal. The president's office says it was concerned that Mr. Bakov wanted sovereign status for the islands, although the businessman says

that isn't the case.

Mr. Bakov hasn't given up hope on the Kiribati option, but he is also willing to court serendipity. A recent surprise election defeat ousted the longtime president of Gambia, so Mr. Bakov is trying to pique the new leader's interest.



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Ryan Phillippe,
Hidden Heroes Ambassador



IN DEPTH

NEIMAN

Continued from Page One
luxury market, which reached \$1.16 trillion when including expenditures on pricey cars, travel, restaurants and such.

"In the past, women had loyalty to a particular department store, and they would come in with a page torn from the retailer's catalog and say, 'I want that look,'" said Robert Burke, the former fashion director of Bergdorf Goodman who now runs his own consulting firm.

The shift in consumer tastes has put pressure on several storied brands, including Tiffany & Co. and Ralph Lauren Corp., which both recently ousted their chief executives.

"Consumers no longer prefer a one-stop approach to shopping," said Deborah Weinstock of Fung Global Retail & Technology, a think tank. "This coincides with the current sentiment that big is the opposite of cool, making it very difficult for major retailers and brands to maintain a high level of cachet."

Few are feeling the heat as much as Neiman Marcus Group Ltd., which holds nearly \$5 billion in debt that has grown through more than a decade of private-equity ownership. The company, which lost \$406 million on sales of nearly \$5 billion in the year that ended in July, recently abandoned plans to go public; credit-rating firms have warned there is a high risk it will default on its obligations.

With their equity practically wiped out, Neiman's owners, Ares Management LP and the Canada Pension Plan Investment Board, are looking for an exit. They recently approached Saks Fifth Avenue parent Hudson's Bay Co., about buying the retailer, according to people familiar with the situation. The continuing talks, first reported by The Wall Street Journal, are aimed at combining Neiman with its chief rival to cut costs and boost clout with suppliers.

The company is "well-positioned to deal with both the secular and cyclical changes taking place in the luxury market," said Neiman board member and Ares co-founder David Kaplan. "The brand remains a preferred destination for customers who value the expertise of the store associates and a differentiated product offering as well as for the design community."

Price powerhouse

Once upon a time, all Neiman needed to do to lift profits was raise prices. That model has since fallen out of fashion.

Neiman Marcus opened its first store 110 years ago in Dallas, catering to those who made their wealth in Texas oil. One tycoon asked for all the items in



COOPER NEILL FOR THE WALL STREET JOURNAL

LuJo Churchill, above, checked her outfit in a video mirror earlier this month at the newly opened Neiman Marcus store in Fort Worth, Texas. Below, fashion designer Coco Chanel toured a Neiman Marcus store during a 1957 visit to Dallas.

a store window display delivered to his home for Christmas morning. Stanley Marcus, chief executive from 1950 to 1972, made it happen.

The company, which now includes two Bergdorf Goodman stores in Manhattan, opened outposts in Beverly Hills, Palm Beach, Fla., and other high-net ZIP Codes amenable to \$5,000 gowns and \$2,500 handbags. Its annual Christmas catalog displayed such gifts as a \$1.5 million Valkyrie-X private plane. That kind of extravagance earned it the nickname *Needless Markup*.

"Our mantra had always been, 'There is nothing too expensive for our customer,'" one former executive said.

Burt Tansky, chief executive for nine years until 2010, was fond of saying, "I'd rather have one customer spending \$5 million, than five million customers spending \$1," other executives said. Mr. Tansky declined to comment.

The strategy allowed Neiman to increase average prices 7% to 9% annually until 2015, executives said. Some didn't believe it was sustainable. "Every time Burt would say that I would cringe," said Steven Dennis, who was Neiman's senior vice president of strategy and marketing from 2004 to 2008.

Price-hike profits, though, were common among Neiman's peers. A 2015 Bain study found the entire luxury industry benefited from "relentless price increases over the past five to 10 years."

Consumers had little choice but to pay up because high-end brands tightly controlled distribution of their goods, usually



brand's high-end satchels. In November, Neiman struck a deal with Rent the Runway, a startup that will rent expensive apparel at shops located in Neiman stores this year.

A year after becoming chief executive in 2010, Ms. Katz reduced snob appeal by allowing Neiman shoppers to use Visa and Mastercard. Previously, the stores only accepted American Express or Neiman credit cards.

Neiman has invested heavily in e-commerce, drawing roughly 31% of its sales from digital operations. That compares with an 8% online penetration for the luxury-goods market, according to Bain.

Not all the moves have worked. After building six Cusp stores, Neiman closed two and stopped development of the chain in 2012. "As we came through the recession, we had to re-prioritize," Ms. Katz said.

The experiment continues at Neiman stores, where departments that carry lower-priced items are called Cusp.

Neiman has suffered from the fall in energy prices that has sapped demand among wealthy Texan shoppers. And like other luxury retailers, it is grappling with a strong dollar that has chased off some foreign tourists.

The retailer appears to be drawing more youthful shoppers, with a bit more than half of its customers age 50 or younger as of last July, compared with slightly less than half a year earlier, according to securities filings.

Ms. Katz recently told analysts that Neiman is simply replacing aging baby boomers with "the next generation."

While younger shoppers are important to help brands stay relevant, they aren't buying luxury goods the way they once did.

"Back in 2007, there were young women who would skip meals to save money to buy the latest Marc Jacobs bag," said Michael Crotty, a marketing executive who has worked at Nordstrom and Neiman Marcus.

"Having the right bag, the right shoe, meant so much."

To celebrate her 29th birthday last month, Veronica Kamenjarin, a Chicago attorney, splurged on a wine-tasting trip to Napa Valley, where she and her husband dined at the exclusive French Laundry. The last time she bought a designer handbag was four years ago.

Ms. Kamenjarin said she chose a classic Louis Vuitton

keeping supplies limited to avoid end-of-season markdowns. And, until recently, few luxury goods were sold online, which gave brands a tighter rein on prices.

"One of the tricks to luxury is price discipline," said Aaron Cheras, the head of Bain's retail practice for the Americas. Shoppers pay full price, he said, when they can't "get stuff for less."

But competition from startups like Farfetch.com and Matchesfashion.com are forcing more discounts. Over a recent 24 hours, Farfetch's prices averaged 2% lower and Matchesfashion's 15% lower than Neimanmarcus.com's prices on 32 identical items, according to price-tracking firm Market Track LLC.

A Neiman spokeswoman said the comparison didn't take into account a promotion at the time that offered a gift card worth 25% off a purchase.

While brands still exert control, particularly over the newest and most popular items, it is harder for them to police prices that change rapidly across websites and fluctuate with shifting exchange rates, industry executives said.

The explosion of discount chains, led by T.J. Maxx, that sell designer brands at cut-rate prices also made consumers rethink the need to pay full price.

To compete, high-end depart-

ment stores rushed in with their own off-price chains—Neiman's Last Call, Saks Off 5th and Nordstrom Rack.

Market forces have "started to commoditize products that were once extremely exclusive," said Jenna Giannelli, a Citigroup Inc. analyst. About 37% of luxury goods sold at less than full price last year, Bain estimated, up from 32% two years ago.

Anais Assoun, a faithful Neiman customer, said she was never a sale shopper: "If I wanted something, I would buy it at full retail." These days, the Dallas resident shops sales, she said, because "regular retail doesn't feel like a good value. You can easily spend \$2,000 on shoes, which not that long ago would have been insane."

Next generation

Neiman's Chief Executive Karen Katz has tried to make her stores more accessible to younger, less affluent consumers.

"You have to constantly be looking for the next generation," she said.

Ms. Katz championed a line of specialty stores called Cusp, which Neiman opened a decade ago, that feature lower-priced clothing and accessories.

Neiman stores also have added relatively less expensive goods, such as \$700 Prada handbags, about a quarter the price of the

fall in energy prices that has sapped demand among wealthy Texan shoppers. And like other luxury retailers, it is grappling with a strong dollar that has chased off some foreign tourists.

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Neiman Marcus: Debt Up, Sales Growth Down

Luxury retailers were long thought immune to the troubles of mass-market chains.

Same-store sales growth

Total debt

\$5 billion

FY 2006 '08 '10 '12 '14 '16

Note: For fiscal years, most recent ended July 30
Source: Citi

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GREATER NEW YORK

Educators Fear Losing Tech Whiz

Software engineer from China with a knack for teaching coding tries to beat odds, get H-1B visa

BY LESLIE BRODY

Two years ago, the superintendent of the Mineola school district on Long Island saw his 8-year-old son learn so much at a free coding course he asked the nonprofit running it, kidOYO, to teach more than 2,700 students across his district.

This approach proved so popular the Garden City, Huntington and Amityville school districts followed suit. Now, tens of thousands of Long Island children can tap into kidOYO's online platform.

The company's founders, however, are concerned they soon may lose one of their biggest assets: Bo Feng, a 31-year-old software engineer whose student visa expires in June.

It is a painful irony, says Mineola Superintendent Michael Nagler, that Mr. Feng might have to leave at a time when American schools face a shortage of people able and willing to teach computer science. KidOYO charges \$35 a year for each student in kin-

dergarten through grade 12, and the fee includes training for teachers.

"It makes me feel good to see them learn from what we build and what we're teaching," he says.

Born in a small town in China, Mr. Feng was among thousands of people who applied this month when the federal government began accepting requests for this year's H-1B visas for high-skilled foreign workers. There are 65,000 slots, in addition to 20,000 reserved for those with advanced degrees. Last year, more than 236,000 people applied.

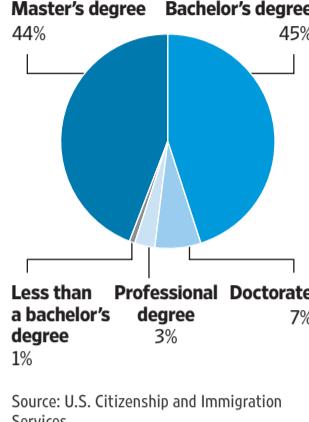
Mr. Feng, who lives in Centereach, Long Island, came to the U.S. in 2012 to get his master's degree in computer science from Stony Brook University. He has tried unsuccessfully for the past three years to get an H-1B visa. If he doesn't secure one this year, he will have to leave the U.S.

President Donald Trump has pledged to reduce illegal as well as legal immigration, saying foreign workers threaten U.S. jobs and drive down wages. He promised to eliminate abuses in the H-1B program, and this month the federal government announced more targeted inspections of companies with a high ratio of these visas.

That move aimed in part to clamp down on outsourcing firms, many based in India, that have been accused of importing cheap labor to replace U.S. citizens. These companies

Who Gets In

H-1B visa recipients, by level of education in 2015



Source: U.S. Citizenship and Immigration Services

THE WALL STREET JOURNAL.

say they follow the rules. That crackdown could help Mr. Feng by leaving more slots open for high-skilled applicants who, like him, aren't coming to the U.S. through outsourcing firms.

Ron Hira, a Howard University associate professor who studies the H-1B system, suggests several changes that could give priority to the "best



Bo Feng instructs students during a coding class at Stony Brook University on Long Island. His student visa will expire in June.

and brightest." He said H-1B visas could be awarded first to applicants with the highest salary offers, for example, or the lottery could be sequenced in a way that gives an edge to those with advanced degrees.

KidOYO's co-founders say Mr. Feng has been vital in showing high-school and university students how to put their software-development

ideas to practical use. "He can take them from classroom skills to real-world skills," Mr. Loffreto said. In case Mr. Feng doesn't win the visa lottery, Ms. Loffreto said she is gathering evidence to help him apply for an O-1 visa that is more difficult to secure. It is geared toward specialists of "extraordinary ability" in science, education, athletics or the arts.

Easter Holiday Brings Out the Fun



ON THE BUNNY TRAIL: Gear in hand, eager children set out on an Easter egg hunt at Leif Ericson Park in Brooklyn on Sunday.

Injury Adds Mystery To Opening Night Of 'Groundhog Day'

BY KEIKO MORRIS

The producers and cast of the musical "Groundhog Day" are likely hoping opening night on Monday is anything but a repeat of its Friday evening preview performance.

The musical canceled a Saturday matinee and brought in an understudy for the lead role that evening because its star Andy Karl injured himself during Friday's show.

In an Instagram post after the incident, Mr. Karl said he tweaked his "knee after a poorly landed leap frog."

A representative for the musical reiterated a statement released Saturday about Mr. Karl's injury and the matinee cancellation. "The production is currently scheduled to open on Monday," the representative said in an email Sunday without responding to questions about who would play the lead.

Based on the 1993 film with Bill Murray, the musical was well-received in London. Mr. Karl won an Olivier Award for best actor in a musical and the production was awarded best new musical.

Along with a lot of buzz, the Broadway rendition of the musical with music and lyrics by Tim Minchin and a book by original screenwriter Danny Rubin comes with a big investment of \$17.5 million.

"This is an eagerly anticipated show," said Thom Geier, managing editor of TheWrap, a publication that covers the entertainment industry, who was at the Friday night performance.

The show proceeded as normal until one of the final numbers, when Mr. Karl appeared to fall as he moved downstage left, said Mr. Geier. The other actors continued for a bit and then stopped, he said.

The stage went dark, the curtains came down, and the lights in the auditorium came on, Mr. Geier said. A theater staffer came on the intercom and said, "the words you never want to hear in the theater, 'Is there a doctor in the house,'" Mr. Geier recalled.

After several updates, Mr. Karl returned to the stage about 20 minutes later with a walking stick of sorts. In an improvised line, he said to his romantic lead, "Hurry up. It's not like you've injured your leg or anything," Mr. Geier said. At the end, a teary Mr. Karl received a standing ovation.

Tribeca Festival Branches Out, Books the Boss

BY CHARLES PASSY

The star of this year's Tribeca Film Festival, which opens Wednesday, may be an artist better known for jamming on stage than commanding the big screen.

Bruce Springsteen will appear at the festival April 28 at the Beacon Theatre as part of its Tribeca Talks series. Mr. Springsteen will join actor Tom Hanks for a conversation that looks at the rock star's "unique

place in American musical history," according to the festival.

The event is part of a broader effort by Tribeca, whose 16th edition opens on Wednesday, to embrace programming that goes beyond film. This year, Tribeca launches the Tribeca Games Festival, a two-day event (April 28-29) that explores recent game releases and includes industry insiders talking about their work.

Also on the 12-day festival's slate of events: a Tribeca Immersive showcase that features virtual-reality and "innovative interactive" projects on display, and a Tribeca TV lineup of programs in which new series will have their premiere screenings.

Tribeca Executive Chair and co-founder Jane Rosenthal said such programming speaks to the festival's desire to embrace storytelling in all its forms.

Tribeca is hardly the only film festival to embrace non-film fare. The New York Film Festival, which is run by the

Film Society of Lincoln Center, has its own virtual-reality/immersive showcase, dubbed Convergence.

While it might seem that such programming could dilute a film festival's impact, film-industry insiders indicate otherwise. If anything, they say the trend is simply recognizing that "film" is an ever-changing medium.

"Everything evolves," said John Wildman, a consultant to film festivals.

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GREATER NEW YORK

Penthouses Carved Out for High-End Office Space

BY KEIKO MORRIS

At the top of the MetLife Building towering above Grand Central Terminal, construction workers a few years ago removed fans, piping and other equipment to make way for a more profitable use of the space: a penthouse addition.

The landlord, Tishman Speyer, revamped the former mechanical room and a long-vacant space that had been a lounge for a defunct helipad at 200 Park Ave., creating an airy 24,000-square-foot, glass-walled penthouse on the 58th floor with dramatic views of Manhattan's iconic peaks. The project cost \$24 million, according to a person with knowledge of the matter.

"You feel like you can reach out and grab the spire of the Chrysler Building," said Tishman Chief Executive Rob Speyer.

The space was quickly leased by a private-equity firm, and now Tishman is under way with another office penthouse addition, this time with a terrace, at 520 Madison Ave. That project is expected to cost \$35 million, according to the person with knowledge of the matter.

"We're always looking around the corner and pursuing ways to unlock additional value," Mr. Speyer said.

Though often a tricky feat to accomplish, the addition of glass-walled office spaces atop older buildings is an investment a number of owners are making in hopes of boosting income and competing with newer office buildings on the rise on the far West Side and in downtown Manhattan.

Such penthouse spaces, many coupled with landscaped decks, often command \$10 to \$20 a square foot above rent for other space in the building, said Mitchell Konsker, vice chairman at real-estate-services firm JLL.

"I am talking to a lot of landlords who want to add an additional structure on top,



A future penthouse office space at 520 Madison Ave., above, as seen in a rendering. Below, work is being done at 787 11th Ave. to create a penthouse office. A rendering of the finished product, right.



because if you add a structure you are competing with new product, and new product today is getting over \$90 a square foot," said Mr. Konsker.

Typically, the penthouse additions feature high ceilings, tons of light through glass facades or large windows and connecting outdoor space. Landlords often have to be creative in finding the space to build these structures, sometimes moving mechanical equipment to another part of

the building, tapping undeveloped space or transferring air rights from adjacent lots, said real-estate lawyer Jonathan Mechanic.

New office penthouse structures are cropping up throughout New York City, but for owners of older Midtown buildings, it is a way to stay relevant, said Ed Wood, a principal at architecture and design firm Gensler.

"That's why we're seeing people reskinning buildings,

replacing windows and architecture being added to the tops," Mr. Wood said.

These office-penthouse additions are part of a broader push by owners to carve out more dynamic amenity spaces to appeal to tenants looking to embellish their brands and recruit top employees, said Brian Waterman, vice chairman at real-estate-services firm Newmark Grubb Knight Frank. Mr. Waterman is part of the team representing One

SoHo Square, the redevelopment joining two buildings and creating more than 100,000 square feet of glass penthouse office space.

Creating penthouse space is logistically challenging. At 787 11th Ave., Georgetown Co. and its partners are adding a two-story, 90,000-square-foot glass box with terrace space, a tennis court for its top-floor tenant, Pershing Square Capital Management LP, and a separate 13,000-square-foot roof-

deck for the now eight-story building.

The owners are able to do this by using floor space removed between floors six and seven to create a double-height space, said Adam Flatto, Georgetown's chief executive.

The roof had to be demolished, waterproof roofing materials installed on the sixth floor and a crane lifted to the top of the building to haul up and maneuver steel beams from below. Because the lower floors house Jaguar Land Rover Manhattan, Infiniti of Manhattan and Nissan of Manhattan dealerships, the construction process is a delicate one, Mr. Flatto said.

Likewise, Tishman has had to carry out its renovations at the top of 200 Park Ave. and 520 Madison Ave. without disrupting service to tenants below the construction.

Mr. Speyer traces the inspiration for the two projects back to Tishman's addition of a profitable observatory, Top of the Rock, at Rockefeller Center.

"It's an art form we've been evolving for decades," Mr. Speyer said.

PROPERTY WATCH

LONG ISLAND

Online Retailer Tests A Traditional Store

An online home-décor and furniture retailer will open its first brick-and-mortar store in Southampton on Memorial Day weekend as the company repositions itself from a flash-sale e-commerce site to a home furnishings brand.

One Kings Lane said it would test its format for a retail shop on the ground floor of 11 Jobs Lane, a 19th-century, two-story building that used to house Southampton's

library.

Like other companies born online, One Kings Lane executives view the street retail location as both a chance to drive sales and an opportunity to market its brand to a key customer audience, said President Debbie Propst. The company was acquired by **Bed Bath & Beyond Inc.** last year.

One Kings Lane, which has a showroom at its SoHo Manhattan office, signed a lease deal for about 3,500 square feet of space for the summer season and has the option to extend the lease, the company said.

CONNECTICUT

Firms Join Up to Buy Two Rental Buildings

Dalzell Capital Partners LLC joined forces with Jay Rappaport and Daniel English from **Legacy Investing LLC** to buy a 55-unit apartment complex that once was a textile mill in Glastonbury, and a 24-unit rental complex in Norwalk, said Christian Dalzell, managing partner of **Dalzell Capital**.

The acquisition prices of the two properties totaled \$23.65 million. "We want to create a portfolio of luxury rentals," Mr. Dalzell said.

The investors tapped furniture and interior design firm **Lillian August Designs Inc.**, which will work on design concepts and improvements to reposition the property, said Dan Weiss, chief executive of Lillian August.

The new owners secured almost \$19 million in financing from Freddie Mac, Mr. Dalzell said.

NEW JERSEY

Fort Lee Complex Adds Two Retailers

Developers of a mixed-use project in Fort Lee, at the base of the George Washington Bridge, have added two retailers to the roster of tenants, leasing more than 80% of its shopping complex.

Tucker Development Corp. and **KRE Group** have signed lease deals with Bean & Bean Coffee and the owners of Tang Korean Restaurant in Flushing, Queens, at Hudson Lights, said Jeffrey Glenner, vice president of development at Tucker.

The \$218 million Hudson Lights complex began leasing its 276 luxury rental apartments late last year and has been steadily filling the 140,000 square feet of the development's retail space.

So far, the development has attracted a mix of entertainment, food and service retail tenants including iPic Theaters and its restaurant, City Perch Kitchen & Bar, as well as Paris Baguette, Gaonnuri Restaurant and indoor cycling venue CycleBar.

—Keiko Morris



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LIFE & ARTS



BY ALINA DIZIK

AFTER SETTING A DATE, finding the venue and screening the bands, Lisa and Herky Pollock decided against a wedding for 300 guests.

Neither had cold feet.

Instead, the Pittsburgh couple slashed the initial guest list from 300 to 33 for an all-expenses-paid stay at Little Palm Island, a private resort in the Florida Keys. Their budget didn't change and was "well over six figures," says Mr. Pollock, a 52-year-old real-estate developer.

The Pollocks shuttled in white-clad guests via boat to the ceremony, served champagne and had 12 minutes of fireworks to cap off the night.

"We had chandeliers on the beach," says Lisa Pollock, a 45-year-old real-estate broker. "It was beyond anything I could have ever imagined." (To avoid hurt feelings, the couple didn't post photos to social media until after the event last November.)

As summer wedding season approaches, wedding planners expect more smaller weddings with the budgets of big weddings. Cousins and colleagues are out of luck. The events often, but don't always, involve a destination and can range from \$1,000 to \$10,000 per person.

Even as some couples cut the guest list, they aren't cutting the budget, says Cristina Verger, a New York-based planner. Most of Ms. Verger's clients are 30-something couples paying for the events on their own and spending \$150,000 to \$300,000.

On Pinterest, where many people post wedding ideas and photos, searches associ-

Small Weddings, Big Budgets



For their 2016 wedding, Jane Lerman and Shane Fonner rented boutique hotel Dar Sabra in Marrakesh, Morocco, for 38 friends and family members for a ceremony, top, and planned special activities, above.

ated with smaller weddings have doubled in the past year, says Larkin Brown, a San Francisco-based user researcher at the company. Overall, the average guest count slipped to 141 guests in 2016, compared with 149 in 2009, according to survey data from wedding website The Knot. Couples paid \$245 per guest in 2016, compared with \$194 in 2009.

Rather than apologize to uninvited individuals, Emily Kraft, 27, and Nick Malaguti, 29, excluded groups of people for their 42-person wedding at Seattle's Edgewater Hotel, including cousins and extended family.

"I go back in my head a little whether we should have invited some cousins," says Ms. Kraft, a recruiter in Hoboken, N.J. "But it felt like an easier choice to exclude entire groups." (An engagement party on the East Coast allowed the couple to celebrate with extended family—a compromise for Ms. Kraft's mother-in-law, who hosted the event, she adds.)

For some venues, including the Resort at Pelican Hill, in Newport Beach, Calif., smaller weddings can help fill gaps left in the schedule by larger parties that book weekend nights more than a year in advance, says Erynn Choi, a weddings manager hired last year to oversee smaller midweek weddings. This year, the hotel hosted more than 30 smaller midweek weddings, which start at a \$25,000 minimum compared with the \$90,000 weekend evening minimum.

Jane Lerman, 30, and Shane Fonner, 37, thought about planning a 200-person wedding at home in New York that would include extended family and their parents'

Please see WEDDINGS page A13

FROM TOP: ETTORE FRANCESCHI/COCOON EVENTS GROUP; CÉLINE CARTALLAS/L'AS DE COEUR



'Rituals of Disappearance,' Piotr Nathan's 82-foot-wide mural inside Berghain, a Berlin nightclub, was disassembled recently and the work's 171 lacquered aluminum panels were sold.

ART

BUYERS SNAP UP PARTS OF A BERLIN LANDMARK

BY LINDSAY GELLMAN

Berlin

THE LATEST bragging right for Berlin's nightclub denizens? Owning a piece of a legendary local haunt.

Berghain, a converted power plant in the city's formerly communist east, is a club known for ribald weekend-long techno-music raves and a capricious door policy. Since its 2004 opening, the nightspot has welcomed guests with an enormous indoor mural near the coat-check.

The 82-foot-wide work, "Rituals of Disappearance," had black-and-white images of a volcanic eruption, a desert storm and water-spouts, among other phenomena, and became an emblem of the club.

No longer: In recent weeks, the

mural was disassembled in collaboration with the artist, and the parts sold online.

Within hours of the sale announcement on March 17, every one of the work's 171 lacquered aluminum panels had been claimed, according to a club spokesman. Prices started at about \$530 for an individual panel.

Berghain regulars waxed sentimental about the club, where, thanks to a no-photo policy—smartphone lenses are taped over at the door—they said they feel uninhibited. The mural functioned as an "invitation to self-obliteration," said artist Piotr Nathan, beckoning revelers to lose themselves in the music.

"This was the gate to a world of mystical ambiguity," Mr. Nathan

said. Once you enter the space, he added, "you change, in a way."

Given the mural's theme, said Mr. Nathan, a 61-year-old Polish-born veteran of Berlin's nightclub scene, he sensed early on that it might one day be broken up.

So when the club's owners told him about plans to renovate the entrance, Mr. Nathan suggested selling the panels individually, rather than as a single collection. Seeing the work reassembled elsewhere "wouldn't make any sense," he said.

Mr. Nathan spearheaded the design of a website, where, over the past four weeks, buyers could select individual panels to purchase. The idea, he said, was to make the panels widely accessible. Yet he said he hoped many would find their way into the

hands of Berghain regulars like himself who had danced nearby.

As the site went live on the morning of March 17, Mr. Nathan set about painting its web address in giant red letters on Berghain's newly empty entrance wall. He'd managed to paint just some of the address, he said, when a club staffer informed him that all the panels had been sold. He was stunned.

Max Kobosil, 26, one of Berghain's resident DJs and a native Berliner, said he rushed to buy a panel for himself and one for his mother. He was eager to procure souvenirs from the institution that gave him his first big break a few years ago, he said. Now he plays at the club at least 10 times a year and tours worldwide.

Mr. Kobosil hasn't yet decided

how he will mount his panel, he said. For now, it leans against a wall in his apartment.

Reinhard Ostendorf, 35, a Berlin-based architect and Berghain regular, also snagged a panel. He selected a piece from near the top of the mural, he said, since some of the bottom-row panels showed damage from partiers.

Mr. Ostendorf, who hails from western Germany, said he had never bought art before. But he was moved to do so, he said, because of the cultural significance of the club, which traces its roots to gay nightlife in Berlin.

Part of what draws him to the club, Mr. Ostendorf said, is that "what happens in Berghain stays in Berghain"—with the exception, now, of the piece he owns.

CHRISTINE FRENZL

LIFE & ARTS

WHAT'S YOUR WORKOUT? | Jen Murphy

A Mom's Love for Mountain Biking

California's rugged terrain drew a veterinarian into downhill competitions, a full-body workout; training includes TRX and yoga

IT TOOK A WHILE for Michele Drake's two sons, Christopher, 17, and Matthew, 14, to get used to their mom coming home dirt-covered and bruised.

Dr. Drake, 53, is a hard-core downhill mountain biker. The veterinarian, owner of the **Drake Center for Veterinary Care** in Encinitas, Calif., and co-founder of GeniusVets, a start up that does digital marketing for veterinarians, had dabbled in mountain biking in her late 20s but stopped riding once she had children. Now, she trash talks her sons when they ride the trails together.

Dr. Drake has been taking downhill mountain biking lessons for five years. In September 2015, she entered her first race, the Kamekaze Bike Games in Mammoth Lakes, Calif. She placed third in the women's downhill competition and won the women's enduro race, which comprises four downhills and two climbs of about one-and-a-half to 2 miles at 8,000 to 10,000 feet.

Dr. Drake, who is divorced and lives in Rancho Santa Fe, Calif., says unlike road cycling, you're barely in the saddle of a mountain bike. "You're in a constant squat and use your core and hips to turn the bike," she says. Pedaling faster when a 3-foot rock is in your path might seem counterintuitive, but Dr. Drake says you can't hesitate. "If you slow down, you'll hit that rock and launch over your handlebars."

The sport, she admits, can be dangerous. Last year, she separated her shoulder and tore her hamstring after flying 30 feet off her bike. "You cannot be thinking about anything but the bike and the trail ahead of you," she says.

The Workout

Dr. Drake strength trains two to three times a week at a 24 Hour Fitness, less than 10 minutes from her home. Her 60-to-90-minute workouts include interval work



on a treadmill, spin bike or elliptical machine, followed by body weight exercises mostly using a TRX suspension trainer. She does rowing exercises on the TRX to strengthen her back muscles and performs squats on a BOSU ball to work her glutes, legs, and challenge her balance.

Two to three times a week she cranks out a bike ride as hard and fast as she can on the trails of Los Peñasquitos Canyon Preserve in San Diego. "I like to see how many people I can pass in an hour," she says. "If someone is ahead of me I have to pass them.



It's a mental game." She attends a hot power yoga class twice a week at CorePower Yoga, usually after a ride or the gym.

Between June and early October, she tries to spend about 30

days riding the trails of Mammoth, Calif., where she has a second home, and Whistler, Canada. Mammoth Mountain is a six-hour drive from her home and when she's there, she'll ride four to six hours a day. She tries to compete in one race a year.

The Diet

Dr. Drake starts her day with coffee, eggs and sliced avocado. She grabs lunch at a healthy takeout spot near her office, usually getting a protein-packed salad or more eggs. If she can't sneak out for a bite she'll eat a plant-based, Pro-



Michele Drake, 53, and a veterinarian, bikes on the trails of Los Peñasquitos Canyon Preserve in San Diego.

bar Meal bar. Dr. Drake hires a woman to cook for her family. "We eat a lot of stir-fries, grass-fed beef and salmon," she says. Dr. Drake says she splurges on good wine.

The Cost & Gear

She paid \$6,500 for her Intense Evo 951 Gravity bike and \$2,400 for her Specialized Safire Comp bike. "I ride all about equally depending upon where I am riding," she says. Her full face Troy Lee Designs helmet cost \$250 and her Atlas neck brace cost \$250. She spends about \$200 a year on new gloves, elbow pads and knee pads. She likes cycling apparel from Troy Lee Designs and Fox Racing.

A Mammoth Mountain Bike Park Pass retails for \$349 per season and Dr. Drake says a day pass at other parks cost around \$50. She pays \$20 per drop-in class at CorePower Yoga and prefers Lululemon yoga apparel. She pays \$35 a month for her 24 Hour Fitness membership.

The Playlist

"When I work out I listen to the raunchiest rap music ever," she says. Kendrick Lamar, Eminem, and the rap artist Logic top her playlist.

CLOCKWISE FROM LEFT: PHILIP BECKMAN/PB CREATIVE; SANDY HUFFAKER FOR THE WALL STREET JOURNAL (2)

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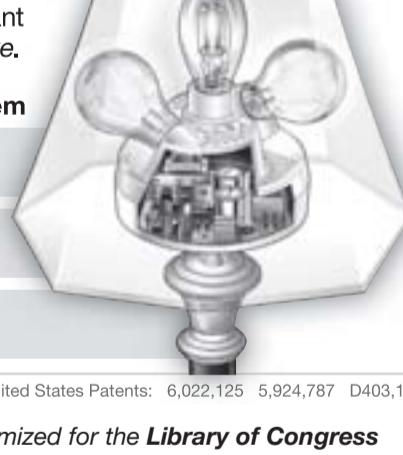
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A NOVEL'S POLITICAL TENSIONS

BY TOBIAS GREY

WHEN DORIT RABINYAN began writing a novel about a star-crossed love affair between an Israeli Jewish woman and a Palestinian Muslim man living in New York she had no inkling that it would become an affair of state.

"All The Rivers", out in the U.S. from Penguin Random House on April 25, has become just such a political quagmire. In December 2015 it was refused a place on Israel's high-school Hebrew literature syllabus by the country's Ministry of Education. One of the reasons an education committee gave was that "intimate relations between Jews and non-Jews threaten the separate identity."

The Israeli newspaper Haaretz had already named "All the Rivers" a book of the year in 2014; it also won the country's Bernstein Prize for Israeli writers under 50 the following year. Domestic sales had been steady. After the ban was announced, sales rocketed.

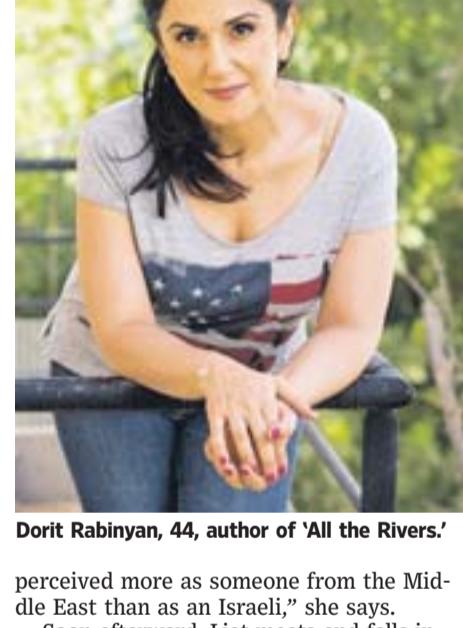
After the ban's announcement there were a flurry of complaints from schoolteachers, and legislators pushed through a change in the law, whereby Israel's high-school literature teachers can now choose 30% of the curriculum they want to teach.

Still, the 44-year-old Israeli author says the negative publicity surrounding the original ban gave her novel a misleading image.

In "All The Rivers" Ms. Rabinyan drew on her own life to recount the story of an Israeli woman of Iranian ancestry, Liat, who arrives in New York as a translation student on a Fulbright scholarship in 2002 and is almost immediately the subject of suspicion and hearsay.

The novel opens with Liat being questioned at her home by two FBI agents acting on the tip of an informer who has reported seeing an Arab-looking woman in a cafe "passionately" writing emails in Arabic. "This was something that really happened to me," says Ms. Rabinyan. "But I was writing Hebrew, I don't write Arabic."

The striking thing for the author, who explored her Iranian heritage in her first two novels "Persian Brides" (1995) and "Strand of a Thousand Pearls" (1999), was "being



Dorit Rabinyan, 44, author of 'All the Rivers.'

perceived more as someone from the Middle East than as an Israeli," she says.

Soon afterward, Liat meets and falls in love with Hilmil, a talented Palestinian artist.

"My aim was outlining the fear of love," says Ms. Rabinyan. "I wanted to define those feelings which make Liat intimidated by Hilmil's love caused by the Jewish codes [of behavior] she carries within her."

The original Hebrew title of "All The Rivers" novel is "Gader Haya" which Ms. Rabinyan says can be roughly translated into English as "Hedge."

The hedge is a reference to the plants commonly used to separate properties and create privacy. To explain, Ms. Rabinyan cites Benjamin Franklin's famous quote: "Love your neighbor, yet don't pull down your hedge."

Ms. Rabinyan dedicates her novel to her friend Hassan Hourani, a rising star of Palestinian art, who died in 2003 at the age of 29. "Hassan was the inspiration [for Hilmil]," says Ms. Rabinyan. "As I was writing my novel I felt his presence in the room alongside me giving me advice and criticism."

In Ms. Rabinyan's novel, Liat and Hilmil don't see eye to eye politically. She favors a two-state solution, while he yearns for an all-encompassing state. As a couple they laugh and cry together, fight and make up.

"People have told me that the reason my book is seen by the Ministry of Education to be dangerous for youngsters in Israel is that it reminds us there is a partner on the other side," Ms. Rabinyan says. "It is not perfect and does not see eye to eye with us on everything, but it is a partner you can maintain a dialogue with and identify with."

The Ministry of Education didn't respond to requests for comment.



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LIFE & ARTS



OPERA REVIEW

FLEMING'S MARSCHALLIN AND THE PASSAGE OF TIME

BY HEIDI WALESON

New York

RICHARD STRAUSS'S "Der Rosenkavalier," with its melding of bittersweet nostalgia and antic comedy, usually zeroes in on the character of the Marschallin, the aristocratic older woman who recognizes the inevitable passage of time as she sadly but graciously relinquishes her young lover, Octavian, to Sophie, a girl of his own age. But in the provocative new Robert Carsen production that opened at the Metropolitan Opera on Thursday, it's Octavian's fate that resonates as the curtain falls.

In part, this was casting. The production marks 58-year-old Renée Fleming's final performances as the Marschallin, one of her signature roles, and possibly her withdrawal from staged opera altogether, though there have been mixed messages about that. As beautiful as ever, and a subtle, sensitive actress, Ms. Fleming gave a performance of gravitas and deep feeling, but she

husbanded her vocal resources, and her once-creamy, easy soprano sounded slender and carefully deployed. By contrast, as Octavian, Elina Garanca's mezzo overflowed with the warmth and richness of youth, and her startlingly androgynous appearance made her entirely persuasive as an adolescent boy on the cusp of true adulthood. Even in their intimate Act I scenes, one felt that Octavian's bursting vitality was ready for new pastures.

In Hugo von Hofmannsthal's libretto, set in a magical mid-18th-century Imperial Vienna, those new pastures are chiefly Sophie, daughter of the nouveau-riche merchant Faninal. But Mr. Carsen has updated the opera to 1911, the time of its premiere, just as the old world was about to be swept away forever in the carnage of World War I. Most of the men in the production wear ceremonial military uniforms, and although Octavian and Sophie (sung with bell-like clarity and fierce determination by Erin Morley) end the opera kissing on a bed, it seems clear that Octavian,

like the rest of his generation, is destined to be cannon fodder.

Mr. Carsen and set designer Paul Steinberg make the updating consistent without being heavy-handed. The Marschallin's bedroom is no intimate boudoir, but rather a grand, red-walled chamber hung with huge portraits of men and battle scenes. Her clandestine love affair thus seems like a futile attempt to carve out her own place in a very male world. The décor of Faninal's grand new house is more up-to-the-minute with its Secession-style furniture; cleverly, he's now an arms dealer, with his wares (a pair of giant cannons) prominently displayed in his salon. The seedy tavern of Act III is hilariously reconceived as a high-end brothel, with the Innkeeper (Tony Stevenson) in drag as its madam. Brigitte Reiffenstuel designed the wonderful costumes: The contrast between Ms. Fleming's sumptuous black fur coat and the elaborate period underwear of the brothel's employees tells you all you need to know about class and the lack thereof.



A scene from the Met's 'Der Rosenkavalier' (left), starring Renée Fleming as the Marschallin and Elina Garanca as Octavian (above).

KEN HOWARD/METROPOLITAN OPERA (2)

And Mr. Carsen does not hold back in the opera's comedy and chaos, raising the stakes with each act so that the humor never grows tedious. At the center of madness is the splendid bass Günther Groissböck as Baron Ochs, the country cousin who blunders into Vienna on a mission to marry the heiress Sophie. Younger and handsomer than the usual Ochs, Mr. Groissböck brings an element of danger to the Baron's crass rudeness and aggressive sexism, demonstrating how easily the established order can be undermined. The dizzying mayhem after he is "wounded" by Octavian in Faninal's house is breathlessly staged as a parody of battlefield surgery. Later, in the brothel, Mr. Carsen makes "Mariandel" sexually aggressive rather than pretending coyness, neatly turning the tables on the bully Ochs who, unsurprisingly, cannot perform. Ochs, too, is

in uniform, and heaven help the troops that he will be leading. Sebastian Weigle's conducting takes its cue from the bumptious Baron: it is more caffeine than schlag, the nostalgia subsumed in modern noise and speed.

Still, the magical moments are there: Matthew Polenzani, in a white suit, soaring as the Italian Singer; Ms. Fleming briefly burying her face in Octavian's bouquet of red roses; Octavian and Sophie's moment of mutual recognition in the middle of the formal Presentation of the Rose, haloed in white light by Mr. Carsen and Peter Van Praet; and the glorious Act III trio of loss and discovery, sung with poignant beauty by the three women. All may be ended, as the Marschallin tells Ochs, but for a few precious minutes, time still stops.

Ms. Waleson writes about opera for the Journal.



Mairin Rooney, standing, chats with guests at her wedding, which was a dinner party for 65 held last year on the rooftop of the Gramercy Park Hotel in New York City.

WEDDINGS

Continued from page A11

friends. Instead, the couple rented a boutique hotel, Dar Sabra, in Marrakesh, Morocco, for a short vacation with 38 close friends and family members for \$60,000.

"I wanted to do something out-of-the-box with people I love," says Ms. Lerman, a public-relations professional. Guests covered hotel and airfare, but the couple paid for three days of food and entertainment, she adds.

Larger chains are taking note and offering more intimate spaces for couples who can't fill the ballroom.

The St. Regis San Francisco last year converted a fourth-floor breakfast and lunch cafe into a small space that is now popular for weddings, says Gina Chen, director of catering and event management at the hotel. An outdoor terrace space that was used solely for ceremonies now hosts smaller receptions because noise ordinances are less of an issue with small parties. Another narrow space with floor-to-ceiling windows that was once used to hold early-arriving guests for larger ceremonies can now be booked separately for weddings of 50 or less, she adds.

Weddings for fewer than 100 people now make up about 40% of bookings, an uptick of about 20% over the past year, Ms. Chen says.

At the Gramercy Park Hotel in New York, smaller weddings of 20 to 75 people are typically planned in about six months or less without a wedding planner.

Often, couples "are looking to have an elegant dinner party," without the hassle of planning a more traditional affair that includes dancing or long-winded toasts, says director of events Jahan Shojaei.

Mairin Rooney and Seo Salimi held their



Lisa and Herky Pollock invited 33 guests to Little Palm Island resort in the Florida Keys.

65-person wedding for about \$125,000 on the rooftop of the Gramercy Park Hotel this past September. To keep guests entertained they added a string quartet, a fortuneteller and haiku writers who presented each guest with a personal 17-syllable poem.

The couple opted for long rectangular tables where guests were served wine chosen for each of the four courses, says Mr. Salimi, a 36-year-old lawyer. "You can't have wine pairings for 200 people."

A big wedding "was going to be huge hassle," adds Ms. Rooney, 39, a New York-based financial executive. "I didn't have that time, bandwidth or interest."



NEED FOR SPEED

JOHN STEVEN DEWS



Dynamic composition. Famed artist. Breathtaking seascape. This original oil by John Steven Dews captures a glimpse into the high-paced world of sailboat racing. The masterful perspective of the composition brings all of the excitement of the race to life,

and the competitive atmosphere is keenly felt as the two leading boats vie for position. Widely regarded as the greatest living marine painter, Dews renders ships at sail with an unmatched photorealism that draws the viewer into this heart-racing competition. Signed (lower left). Canvas: 24" h x 36 3/4" w; Frame: 31 3/4" h x 43 3/4" w. #30-6196

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SPORTS

NHL | Jason Gay

I Don't Know Hockey. I'm Ashamed.

Amid the always-thrilling Stanley Cup playoffs, a sports columnist comes clean about an embarrassing blind spot

The NHL Stanley Cup playoffs are under way, and do you know who's playing?

Not a rhetorical question. I'm really asking. I pretty much have no idea.

I mean, I know the Washington Capitals are in, and are supposed to be good this year, though they're historically snakebitten in the playoffs. (Aren't they?) I know my hometown Boston Bruins are in. I know that after a shutout last season, there are a whole bunch of Canadian teams in the playoffs, which is good, since Canadians love hockey even more than they love Canadian beer.

But that's pretty much it. It's embarrassing. Hockey is one of the biggest sports in North America and I barely know a thing about it.

It's a disgrace, it really is. I know I am missing out on something great. Every year, when the playoffs come around, I hear friends and colleagues talking about all of the overtime thrillers and Game 7s and going on and on as if playoff hockey is a never-ending buffet of pizza and beer.

When I tell them I haven't been keeping up, they look at me like I'm refusing a stack of hundred dollar bills.

How can you not be watching the Stanley Cup playoffs? They ask.

It's a fair question. My hockey blind spot is mortifying. And borderline unprofessional.

After all, it's my job as a sports columnist to know—or at least care—as much about sports as I can. On top of that, I'm a sports columnist at The Wall Street Journal, a newspaper with a wide readership of people in finance. People in finance love hockey almost more than Canadians.

I said *almost*.

You could call my hockey ignorance a dereliction of duty, and I wouldn't blame you. I've written 4,000 times more stories about cycling than I've written about hockey. Cycling! If that's not a fireable offense, it's at least a game misconduct.

If I go across the Canadian border, are they going to throw me in jail for this?

Here's the craziest part: I grew up in Massachusetts, one of U.S. hockey's epicenters. I lived a few blocks from a pond that used to freeze over and kids played hockey on. My high school was a hockey powerhouse, with players who moved on to top college teams and the pros.

I'm not a complete moron. I've been to a few games. I know what the Beanpot is! I can explain an icing call!

OK, I can't explain icing.



UNIVERSAL PICTURES/ZUMA PRESS

And I can barely skate. I only know like two or three lines from "Slap Shot." I've never seen "Miracle." I don't know a single current Boston Bruin, other than the really tall guy, What's-His-Face.

I feel like I should be sitting in a church basement right now, drinking Dunkin' Donuts—or better yet, Tim Horton's—confessing all this to an AA meeting.

You know: Hockeymorons Anonymous.

But as your sports columnist, It's my job to be painfully honest with you. I'm not going to try to fudge my way through another NHL playoff. I'm not going to be one of those sports yappers—and we all know there are plenty—who every spring pretends to know everything about hockey and can't name a player beyond Sidney Crosby or Alexander Ovechkin or What's His Face, the really tall guy on the Bruins.

I'm giving you the truth. I need hockey help.

I decided to call some experts for advice. *What makes the Stanley Cup playoffs so great?* I asked.

"It's awesome—awesome," said Mike Richter. Yes: that Mike Richter. Considered one of the greatest U.S.-born goaltenders ever. Inducted to the U.S. Hockey Hall of Fame. New York Rangers legend and Stanley Cup winner. Wisconsin Badger, so you know he's really smart.

"What makes this game beauti-

ful is the speed and the passion," Richter said. "For a fan who isn't initiated—or even those who are—they'll find it to be one of the most intense team sports there is."

"The playoffs are all about momentum and physicality," Chris Pronger told me. Yes, *that* Chris Pronger. Named to the NHL's All-Time Top 100 team. League MVP in 1999-00—I know they call it the Hart Trophy, I looked it up—the first defenseman since Bobby Orr to win it. Stanley Cup champion with Anaheim in 2007.

"Guys are willing to do anything that helps a team win," Pronger said. "It's two grueling months of physicality, exhaustion, overtimes, playing deep into the night..."

Pronger and Richter were really forgiving about my ignorance. They didn't mock me whatsoever. It was obvious that they love their sport, and sounded like they wouldn't mind being out there again.

I asked Richter and Pronger what they looked at when they watch games. Richter said he paid special attention to the goalies, who he thinks are better than ever. Pronger said he watches for "all the little things."

"For me, that was the fun part about playing playoff hockey—the sacrifices," he said. "Is a guy going to take a hit along the wall, get crushed, but get the puck out... what are they willing to do to win

the hockey game?"

I do know one pro hockey player, a little bit. My friend, Steve Watson, from college—his dad, Bryan, enjoyed a lengthy NHL career which included stints with Montreal, Detroit, Pittsburgh and Washington, among others. Old school fans might remember Bryan Watson, who was nicknamed Bugsy. A defenseman enforcer who started his career in the league's Original Six, no-helmet glory years, Bugsy Watson played among some of the game's great legends, and remains beloved.

I was a little ashamed to admit to being a such a dummy about hockey, but Bugsy is a kind and patient man. "There's nothing like the playoffs," he told me. "Anything can happen."

Watson talked about his early years with juggernaut Montreal, when the only thing that mattered was winning the Cup. It was an obsession. "It was a real honor to be in the playoffs," he said earnestly. "To have a chance to win it. And it was heartbreaking to lose."

I asked Watson what he was paying attention to in this year's playoffs. He's still in the D.C. area, and he's watching his Capitals, wondering if they can get over their playoff woes. He really admires their opponent, the Toronto Maple Leafs, and their young nucleus he thinks can grow up into a contender. Richter, meanwhile, is

digging into the juicy Rangers-Canadiens series. He and Pronger were also excited to watch young stars like Edmonton's Connor McDavid, and seeing how they respond to the playoff moment.

Bugsy offered me a suggestion. It sounded more like a commandment. If I was going to really do this, I had to go see the playoffs live. Television was OK, but there was nothing like seeing hockey in the flesh.

"To be there in person is what it's all about," Watson said. "Anyone who wants to learn about hockey needs to go to a game."

"Go for the warm-up and walk down to where you can hear and look over the glass—maybe about 15 rows back, just to get a sense of how fast they're going, and the size, so when you go back to your seats, you have a feel for what it's about."

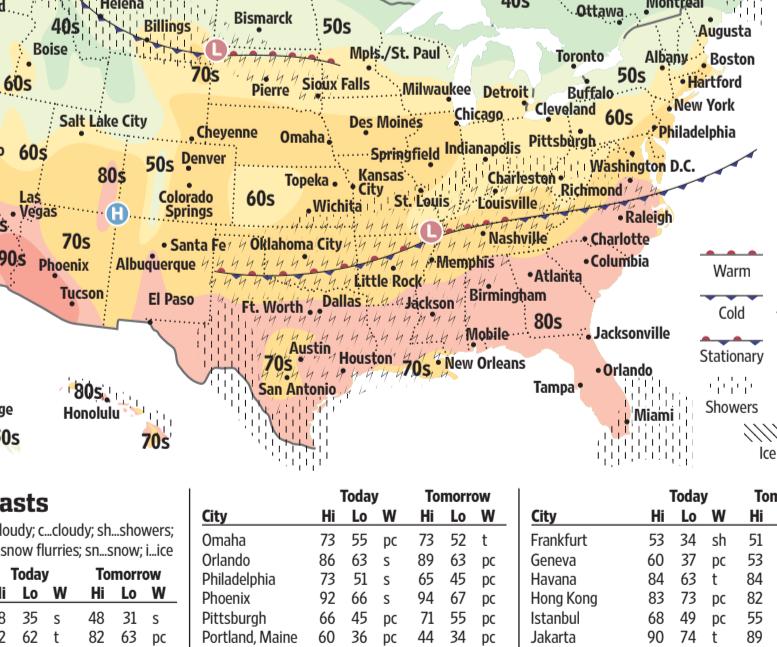
Pronger and Richter would agree 100%.

"I always tell a first-time fan—they need to see it live," Pronger said. "See firsthand the passion, the speed, the physicality, the buzz in the building."

OK, OK, I've heard enough. This embarrassment cannot stand. They've made a compelling case for hockey as one of the greatest sports on earth. I've been honest with you about my ignorance. I'll try to get better.

Now who is going to explain it to me?

Weather



U.S. Forecasts

S...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Anchorage 48 35 s 48 31 s

Atlanta 82 62 t 82 63 pc

Austin 81 61 t 82 63 pc

Baltimore 74 51 pc 70 48 pc

Boise 60 45 c 60 40 sh

Boston 70 41 s 47 38 pc

Burlington 51 36 c 55 42 pc

Charlotte 84 62 t 72 58 t

Chicago 72 43 s 73 59 pc

Cleveland 65 43 pc 70 57 pc

Dallas 80 63 t 85 66 c

Denver 77 45 c 79 48 pc

Detroit 69 44 s 66 53 pc

Honolulu 82 69 pc 84 70 pc

Houston 83 67 t 80 66 pc

Indianapolis 67 44 pc 74 60 pc

Kansas City 71 54 c 75 64 t

Las Vegas 84 67 pc 85 62 c

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Milwaukee 63 40 s 65 49 sh

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Nashville 79 58 t 80 61 t

New Orleans 78 65 t 81 64 pc

New York City 72 48 s 59 49 pc

Oklahoma City 74 58 c 82 62 pc

International

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Jakarta 90 74 t 89 76 sh

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Manila 93 79 t 93 79 pc

Melbourne 69 49 c 74 49 s

Mexico City 75 53 pc 70 50 t

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Mumbai 95 81 pc 96 81 pc

Paris 59 38 c 55 35 sh

Rio de Janeiro 84 72 sh 80 70 sh

Riyadh 94 68 s 96 74 pc

Rome 72 50 s 69 44 sh

San Juan 81 75 sh 82 74 pc

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Shanghai 72 59 r 81 56 pc

Singapore 88 79 c 89 78 c

Sydney 74 61 pc 74 62 pc

Taipei 88 73 t 78 72 t

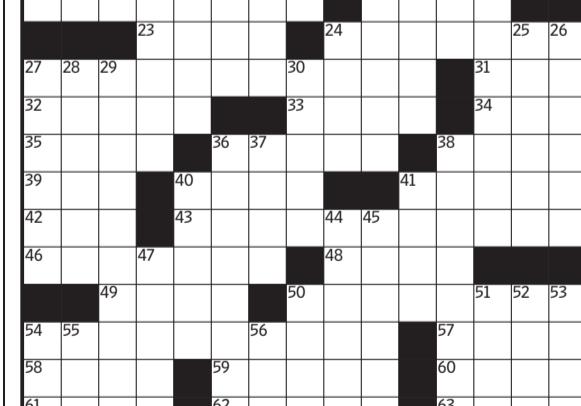
Tokyo 70 58 r 72 59 pc

Vancouver 56 33 pc 53 41 pc

Warsaw 56 47 sh 56 44 sh

Zurich 54 36 r 47 31 r

The WSJ Daily Crossword | Edited by Mike Shenk



OPINION

Silicon and the Silver Screen

By Michael S. Malone

It started as a match made in heaven. Hollywood and Silicon Valley: a perfect pairing of good looks and big brains, content and platforms, stars and nerds. The marriage was brokered by a giant with a foot in both worlds, Steve Jobs, who with iTunes gave the music industry a solution to its mishandling of piracy. No one seemed to mind that it was a shotgun wedding.

Now the relationship is on the rocks, a victim of seemingly irreconcilable differences. The biggest technology companies—Apple, Facebook, Amazon and Google—are enjoying unprecedented success, while most major film studios can't seem to catch a break.

Celebrity divorces can be entertaining material for gossip sites, but a split between two of America's most dynamic industries could have serious consequences. These economic engines need each other to exist. As Sony founder Akio Morita once quipped when explaining why his company had bought Columbia Pictures in 1989: "Hardware needs software." A media player or distribution platform is worth nothing without content to watch or games to play.

Hollywood always had a youthful image, but it isn't keeping pace with a new generation of easily distracted, mobile-first consumers. Getting the under-25 audience to

abstain from social media for two hours and sit in a dark auditorium is increasingly difficult. The TV business, too, was built for a bygone era, a quainter time when tens of millions of Americans gathered around the set to watch the same program. Now it's any screen, anytime, anywhere.

Can Hollywood and the tech industry make beautiful music together?

Silicon Valley's business model is far more agile. In the 18 months Hollywood takes to make and release a film, the tech industry could recalibrate its entire future. These companies thrive on creative destruction, which is why they are constantly designing fresh platforms. An app can go from zero users to hundreds of millions in a few years.

Hollywood rightly feels under attack. The studios and media companies carry on their century-old task of telling stories that move viewers—only now they sell their creations to competitors in Northern California. There's no way Hollywood can win under the current rules.

Big-screen ticket sales are still a \$38-billion-a-year industry, but the trends are worrisome. With so many other

options competing for time and attention, it now takes massively expensive blockbusters to pull in a strong box office. Even then, one action-packed film's \$250 million budget could have been used in San Francisco to incubate a dozen startups.

The TV industry isn't doing much better. Netflix and Amazon are buying bespoke content from Hollywood, decimating viewing patterns and pressuring studios to shorten movie-release windows. Meanwhile, content is atomizing. On-demand viewing at home is driven by thousands of micro-niches. Young mobile audiences are perfectly happy watching low-budget, peer-made content on sites like YouTube.

How does Hollywood change the ending to this very scary script? Studios have to play to their core strength of telling compelling stories. Yet they should also start to reimagine themselves as data-driven software companies. Movies and TV shows are simply entertaining forms of software.

Silicon Valley often has been free to write the new viewing rules simply because Hollywood has been a no-show. To get ahead of the next big change, Tinseltown needs to get its geek on by investing in big data, artificial intelligence, social media, psychometrics and whatever else will help its content reach an optimal audience.

In the best scenario, Hollywood would develop the ability to keep up with the constant paradigm shifts generated by Silicon Valley. Which is not to say it will be easy, since the two industries have very different notions of what constitutes success: profits for Hollywood, market share for Silicon Valley.

For their part, the Northern Californians would be smart to resolve lingering issues that have generated mistrust. Silicon Valley could do more to fight movie piracy—maybe by developing an asset-management system based on blockchain, the technology behind the digital currency Bitcoin. That would win friends anew in Hollywood.

Simply improving communication between the two industries—through the executive summits and technology conferences put on by Paramount's New Media head Tom Hayes, for example—would go a long way as well. If mutual distrust can be overcome, there's room for greater collaboration on everything from chat bots to better cameras. This could hasten the arrival of new consumer experiences that benefit both sides.

The potential is there. Imagine if the world's two most famous economic superheroes joined forces to reinvent the future. Sounds like an epic movie.

Mr. Malone is a writer in Silicon Valley.

Hungry Venezuelans Demand Change



AMERICAS
By Mary Anastasia O'Grady

Images of protesters in Caracas running through clouds of tear gas and bloodied by state security forces have been front and center in recent media coverage of Venezuela. Other cities around the country also have been hit hard by police, national guard troops and the regime's paramilitary forces as the dictatorship of Nicolás Maduro tries to contain a wildfire of rebellion.

Since 1999, when Hugo Chávez launched his Bolivarian revolution, sporadic periods of social unrest have been quashed with force. But this time things are different. The government is running out of money to buy imports, and since it has crippled domestic production, privation is growing more profound.

These protests were initially sparked by the Supreme Court's attempt to shut down the opposition-controlled National Assembly. They have flourished because of hunger. Venezuela remains a long way from a return to the modern liberal democracy that its 1961 constitution envisioned. But the status quo is unsustainable.

So far this month pro-government militias or the police have allegedly killed three protesters in and around Barquisimeto, the capital city of Lara state. A demonstrator was

fatally shot in Valencia—the third largest city in the country—and the governor of Carabobo state has admitted that the police were responsible. Another young protester was killed in a satellite city of Caracas, and an 87-year-old Caracas woman died when tear gas inundated her home.

Roving bands of government-sponsored militias terrorize civil society as they have for more than a decade. On Wednesday one gang burst into the Basilica of St. Teresa in Caracas, where Cardinal Jorge Urosa was to say Mass, and began attacking parishioners.

Yet protests are swelling and becoming more frequent. Video taken from a tall Caracas building on April 8 captures a mass of humanity blanketing the wide Avenida Francisco Miranda as far as the eye can see.

At a February forum for youth in Miranda state, a 16-year-old girl politely informed Mr. Maduro that students in her school often faint from hunger. She also reported a hole in the school roof and a shortage of desks.

The young men in the streets have a different way of communicating, oozing fury as they dart among heavily armed security forces. Casualties only stiffen their resolve. Mr. Maduro was pelted with stones as he left a military rally in Bolívar state last week.

The folkloric demagogue Chávez never needed to send dissidents to "the wall" to be

shot by firing squads, as Castro did in 1959. Chávez consolidated power during a period of dollar weakness, which drove gold and oil prices ever higher. With a gusher of greenbacks he bought a base of popular support, backing from some in the business community, and control of the military leadership. He was rough with outspoken critics, but they were a minority.

Protests are growing larger and more frequent as food shortages worsen.

Now Chávez is dead and the party is over. The state-owned oil monopoly PdVSA—which once supplied the Venezuelan central bank with dollars to buy imports—suffers from low oil prices, bad management and corruption.

It needs every cent it can get to service debt obligations and keep the company running.

Last fall PdVSA negotiated a restructuring of one issue of 2017 bonds by swapping them for \$3.4 billion in new bonds due in 2020, raising the coupon and pledging 50.1% of the equity of its U.S. refiner, Citgo. In December the company borrowed \$1.5 billion from Russia's Rosneft to retire \$2.2 billion in maturing debt. In return PdVSA pledged 49.9% of Citgo to Rosneft. Markets are already pricing in

a haircut for creditors owed some \$6 billion by PdVSA or the government later this year.

Meanwhile, Mr. Maduro is doubling down on centralized control of a shrinking food supply. A new government program—which goes by the acronym "the CLAP"—proposes to deliver government-subsidized food parcels directly to households rather than sell them in government stores. Those who do not support the regime can be cut off.

These parcels contain no fruits or vegetables and little protein. Price controls, confiscation and hyperinflation have destroyed Venezuelan farmers, and importing to adequately feed the country requires international reserves that the government doesn't have.

There are rumors that some opposition leaders want to strike a deal with the regime. But a hungry nation is dug in. It wants nothing less than new elections and the release of some 100 political prisoners.

Last week Organization of American States Secretary General Luis Almagro forcefully condemned the Venezuelan state's repression, calling for a return to democracy. With so many armed criminal interests competing for power, that's going to be difficult. But at a minimum it would seem that Mr. Maduro's days at the helm are numbered.

Write to O'Grady@wsj.com.

By Ben Brubeck

President Trump may be a famous builder, but he could learn something about infrastructure from Wisconsin's Scott Walker and Iowa's Terry Branstad. On Monday, Gov. Walker is expected to sign a law prohibiting state agencies and local governments from mandating "project labor agreements" on public works. Gov. Branstad signed a similar measure last week. Mandated PLAs are a sop to unions that inflate construction costs and discourage competition.

Mr. Trump should issue an executive order to follow suit nationwide. On election night he promised to "rebuild our highways, bridges, tunnels, airports, schools, hospitals." He has floated a \$1 trillion infrastructure plan. But much of that could be wasted if blue states and cities force projects to operate under PLAs.

When a PLA is mandated, typically it means that con-

tracted builders, whether union or not, must hire union workers, pay into union benefit plans and follow union work rules. That effectively limits the pool of bidders, since non-union contractors don't want to abandon their workforces, a key competitive advantage, for strangers from union halls. Less than 14% of the private construction workforce has chosen to join a union.

In 2001 President Bush signed executive orders that barred government-mandated PLAs on projects with federal involvement. President Obama reversed that policy in 2009. His executive order encourages PLA mandates on federal projects over \$25 million and allows recipients of federal funds to require them.

The effect is to drive up costs. A 2011 study examined 551 school projects in California from 1995-2009. The data showed that "costs are 13 to 15 percent higher when school districts construct a school under

a PLA." Or take a specific example, a Job Corps center in Manchester, N.H., which the Labor Department sought bids to build in 2009. Originally the project had a PLA. But a meritshop contractor filed a successful bid protest. When the PLA mandate was removed, three times as many bids came in, at prices 16% lower. That saved taxpayers \$6 million.

Proponents of PLAs claim that they prevent cost overruns and delays by discouraging strikes. As Mr. Trump knows from experience, however, the mere presence of a PLA won't prevent union members from going on strike. In 2006 three unions helping build the Trump hotel in downtown Chicago walked off the job, despite a no-strike clause in the project's PLA.

Because of the difficulties PLAs mandates present to construction firms, 23 states have passed measures against them. Yet in blue states that are heavily influenced by organized

labor, PLAs remain a significant drag on the pace and cost of construction.

In Seattle a PLA hasn't protected the Highway 99 tunnel from delays, safety concerns, cost overruns, strikes and worse. Since May 2010, data from the federal Transportation Department show, PLAs were mandated on 382 contracts valued at \$8.7 billion.

America deserves infra-

structure investment free from special-interest handouts. By reinstating a ban on government-mandated PLAs for projects that accept federal funds, President Trump can make good on his election-night promise. With the stroke of a pen, he can begin rebuilding America's infrastructure—with the help of all qualified businesses and labor at a price that's right for the taxpayer.

Mr. Brubeck is the vice president of regulatory, labor and state affairs for the Associated Builders and Contractors.

BOOKSHELF | By Gerald J. Russello

Preventing The Next Madoff

Going Public

By Norm Champ

(McGraw-Hill Education, 243 pages, \$28)

When the 2008 financial crisis struck, hedge-fund lawyer Norm Champ watched as a series of scandals brought withering criticism of the Securities and Exchange Commission. Bernie Madoff, a former chair of Nasdaq, had been running a massive Ponzi scheme un molested for years. Financier Allen Stanford had been able to swindle investors out of billions of dollars—even though the SEC had suspected wrongdoing as early as 1997.

Convinced that his Wall Street background could help at a time when Congress and the Obama administration were targeting the SEC's weaknesses, Mr. Champ accepted an offer in 2010 to work in the agency's New York office. Hired to assist the SEC in examining funds to detect problems before they harmed investors or the market, he stepped into his role honored to serve the United States and invigorated by the spirit of reform.

Yet "nothing was what I expected," he writes in "Going Public," his firsthand look into the SEC and the challenges of working for the federal government. "I soon learned that the SEC wasn't a typically dysfunctional bureaucracy that needed to fix what had been broken. Rather, there were parts of it that had never been built."

The agency's failure to cultivate examiner expertise and encourage follow-through, for instance, was blamed for allowing Madoff and Stanford to continue their schemes. Walls dividing the examination and enforcement groups, and turf wars among work teams, meant that there was no system to share detailed tips about suspected frauds. Some SEC supervisors had been there for decades and recruited employees without private-sector backgrounds, meaning that the agency was out of touch with the more recent financial products and practices they were being asked to regulate.

Mr. Champ discovered that "the combination of civil service protection and public employee union contracts . . . had wired the wrong incentives" into the agency, which risked privileging employee perks—job security, work-life balance, protection from termination—over the good of the financial markets. This created a culture, according to Mr. Champ, that rewarded passivity and fostered petty dysfunction.

He learned his first day on the job, for example, that office supplies were hoarded because they might run out. Underperforming government employees could not easily be fired, including one who apparently did not show up to work for years. Mr. Champ seems especially astonished that the SEC asked an investment firm to extend its daily opening hours—so that an examiner could preserve his 10-hour Monday-Thursday work schedule and keep his Fridays off.

Champ stepped into his role at the SEC invigorated by the spirit of reform. What he found was passivity and petty dysfunction.

From his first days at the SEC, Mr. Champ sought to leave the agency better than he found it—to develop clear information-sharing procedures and performance standards and to recognize examiners for initiative and good work. What he ran into, however, was a bunker mentality among some of the permanent staff that thwarted real change. They waited out reform-minded managers with the refrain "this too shall pass." When Mr. Champ became head of the important Division of Investment Management—the group tasked with overseeing investment companies, mutual funds, hedge-fund advisers and exchange-traded funds—he discovered that the division was referred to inside the SEC as the "Wax Museum" because of its resistance to reform.

This problem was exacerbated, Mr. Champ says, through the use of anonymous employee complaints that paralyzed offices and hindered the SEC's work. Staffers "had known each other for decades, and slights and grievances had built up over that time. After all, who knew when the next anonymous complaint-writing enemy might emerge from the shadows?" Much of "Going Public" is the story of Mr. Champ's battle against these ingrained cultural problems.

While Mr. Champ is harsh at times in assessing the actions of colleagues and market participants, he praises the hard-working staffers who tried to steady the ship. He cites the contentious effort to avoid a repeat of the 2008 meltdown of money-market mutual funds, triggered after the Reserve Primary Fund "broke the buck" and scared investors into a run on investment vehicles that many had understood to be completely safe. The SEC's shortcomings during that episode invited meddling from other regulatory bodies, chiefly the Financial Stability Oversight Council, established by the 2010 Dodd-Frank law to identify systematically important financial institutions and subject them to greater scrutiny by the Federal Reserve.

In the case of the SEC's effort to improve money-market policy, the oversight council—which Mr. Champ describes as a "Frankensteinish super-regulator"—came close to "staging a hostile takeover of the SEC's role in regulating America's mutual funds, investment advisers, and other investment management firms." By forging a workable compromise that kept the FSOC at bay, the team at the SEC, Mr. Champ contends, won a "gratifying victory for American investors" that preserved the dynamism of U.S. securities markets.

While "Going Public" is primarily an eye-opening—if at times verbose and overly technical—memoir, it provides a readable account of how the SEC managed to turn itself around in the face of both external criticism and internal scrutiny. It is also part forward-looking policy proposal, as Mr. Champ suggests ways to improve financial regulation in the future—by, for example, reducing the FSOC to an advisory board to be employed only in situations of extreme financial distress. With Dodd-Frank and other recent securities-law reforms now under review by a new administration, "Going Public" is, above all, a timely reminder of the benefits of an expert regulator—and of the dangers that may arise when a bureaucracy conducts business as usual.

Mr. Russello is a former SEC supervisor and is currently a partner at Sidley Austin LLP. Any views expressed in this review are his and not those of the firm.

OPINION

REVIEW & OUTLOOK

Trump's Art of the China Deal

President Trump is reversing some of his foreign-policy positions, but this should be no great surprise and so far the changes are mainly for the better. Mr. Trump is never going to pursue a consistent geopolitical strategy because he doesn't think that way. As President he is approaching the world as he does everything else—as a transactional deal maker who wants agreements that he can sell as a security or economic success. Exhibit A is his recent engagement with China over North Korea's nuclear missile program.

Mr. Trump campaigned last year as the President who would challenge China's trade practices, naming Beijing a currency manipulator "on day one." But after the election President Obama advised him to make North Korea's nuclear advances a priority. Mr. Trump had no problem shifting quickly from threatening China on trade to using trade as a lever to get China to help the U.S. restrain or end North Korea's nuclear threat.

"Why would I call China a currency manipulator when they are working with us on the North Korean problem? We will see what happens!" Mr. Trump tweeted on Easter Sunday, explaining why his Treasury Department chose not to slap the manipulator label on China. This policy shift has the added benefit of recognizing that China has been trying for months to prop up its currency, not devalue it for trade advantages.

Meanwhile, the Trump Administration has made a theme of ramping up political pressure on North Korean dictator Kim Jong Un. The Pentagon sent a carrier group to the East China Sea for maneuvers with the Japanese navy. Mr. Trump tweeted after his meeting with Chinese President Xi Jinping this month that "I have great confidence that China will properly deal with North Korea. If they are unable to do so, the U.S., with its allies, will."

H.R. McMaster, Mr. Trump's national security adviser, warned North Korea on Sunday that its "destabilizing" behavior "can't continue" after the North launched another missile Saturday, albeit a failure that exploded soon after launch. There's been much media speculation that a U.S. cyber attack helped to scuttle the missile launch. We'd like to think so, though

Will Xi Jinping really help the U.S. contain North Korea?

no one in government has confirmed it.

The problem is that so far there's little evidence that China is changing its policy toward Pyongyang. The case for optimism includes some editorials in Chinese state media criticizing the Kim regime, as well as reports that China has turned back North Korean ships carrying coal exports.

The White House also points to China's decision last week to abstain at the U.N. and not join Russia in vetoing a resolution condemning Syria's chemical attack.

But none of this deterred Mr. Kim from his Saturday missile test or from a public parade of military hardware and missiles. China's trade with the North has grown tenfold in the last 15 years, even as China has claimed to support United Nations sanctions to punish Pyongyang. And China has played a double game on the North's coal exports in the past. ("China's North Korea Feint," March 5, 2017.)

China's official rhetoric toward the North also hasn't changed, with Foreign Minister Wang Yi telling reporters Friday that "we call on all parties to refrain from provoking and threatening each other, whether in words or actions, and not let the situation get to an irreversible and unmanageable stage."

That's the usual Chinese formulation blaming the U.S. and the North equally for tensions on the Korean peninsula. China still shows no sign of considering regime change in the North, even to a friendly new dictator who wouldn't pursue intercontinental nuclear missiles. And it hasn't shown that it's willing to enforce sanctions to a degree that would seriously squeeze the North.

Perhaps that will change, as Mr. Trump's hopeful tweets imply. But China is expert at offering cosmetic concessions while adhering to what it considers its long-term national interests. China's goal now may be to coax Mr. Trump into the same multinational arms-control dialogue with North Korea that has failed three previous U.S. Presidents.

Mr. Trump's art of the deal includes keeping adversaries guessing, but eventually China may choose to test how far he is willing to go to stop a Korean nuclear missile. Mr. Trump needs to make clear what he will do if China won't make a Korean deal.

Not Lawless in Seattle

Seattle's attempt to unionize the drivers of ride-share companies like Uber and Lyft has careened into the guardrail known as the law. A federal judge has granted a preliminary injunction against the ordinance we recently told you about, with nationwide implications.

"The Court is cognizant of the fact that the public is interested in this litigation and its outcome," Judge Robert Lasnik wrote. "[T]he issues raised here may well impact not only for-hire transportation, but also other sectors of the economy that have come to rely heavily on independent contractors instead of employees."

Under the Seattle ordinance, the Teamsters union had the right to organize ride-share drivers through a public card-check process that allows them to prevent secret elections and set up collective bargaining. The companies that coordinate drivers, including Uber and Lyft, were required to hand over their drivers' contact information to the union by April 3.

The preliminary injunction came in response

A judge stops the city's bid to unionize Uber and Lyft drivers.

to a lawsuit brought by drivers and another by the U.S. Chamber of Commerce alleging the law violates the National Labor Relations Act and breaks antitrust laws by endorsing a system in which independent contractors can band together to set prices for their services. That's typically called price fixing.

To issue the injunction, Judge Lasnik had to conclude that the plaintiffs may win on the merits. He wrote that the suit had "raised serious" antitrust questions and that forcing the companies to turn over drivers' personal information presented a risk of irreparable harm. While Seattle might have an interest in regulating the ride-share economy, the judge wrote, "the public not only has an interest in safe and reliable transportation networks, but also in the enforcement of the laws Congress has passed."

Judge Lasnik is a Bill Clinton appointee, and his opinion sometimes reads as if he would have preferred to rule differently but that the law simply didn't allow it. Kudos for putting politics aside to rule in the public interest.

The FDA's Pizza Minders

The Food and Drug Administration can't possibly fulfill all of the responsibilities it claims to have, and here's one way

Your government at work: The pepperoni calorie-count rule.

ability. The penalty for noncompliance is fines, jail or, this being America, class-action lawsuits.

The micromanaging extends to menu font and colors, which must be "the same color or in a color at least as conspicuous" as other types, according to FDA guidance. By the way,

none of this will help consumers eat less pizza: Most customers place orders online or over the phone, not from a menu board. Dominos offers an online Cal-O-Meter to help customers know what they're eating. Restaurants are already required to make this information available in stores and the web for those who wish to know.

The rule has also riled grocers who must label tuna sandwiches or other fresh foods where preparation isn't standardized. A supermarket trade association, the Food Marketing Institute, says compliance will cost at least \$1 billion and some grocers may decide to stop selling prepared foods.

A bill in the House would allow chains flexibility on where and how to display the counts, including online if most customers place orders on the web. The Senate has introduced companion legislation but skipped town last week and will almost certainly miss the May 5 enforcement date.

Meanwhile, the Trump Administration could direct the agency to delay or reconsider the rule until Congress acts. That would be a useful step in returning government to its core competencies, assuming any still exist, and allow Americans to make their own judgments about pizza.

The regulation also defines menu to include advertisements or flyers that list a phone number or website for ordering—in other words, marketing material. The restaurant must certify that the store made "reasonable" efforts to ensure that calorie estimates are accurate, though the minds behind this rule don't sound like reliable arbiters of reason-

OPINION

LETTERS TO THE EDITOR

Both Parties Have Room for Humility on Debt

Regarding your editorial "Obama's Debt Interest Bomb" (April 11): If President Obama left President Trump the bar tab, it is because he first paid the bill for President George W. Bush's eight-year binge during which he squandered a \$236 billion budget surplus and initiated the descent into extreme deficits. Over his two terms, President Bush cut taxes, started two unpaid for wars, created an expensive Medicare drug plan and left the economy in the worst recession since the Great Depression.

President Obama's deficits resulted from a \$600 billion decline in tax receipts due mostly to the Bush recession, and the cost of initiatives to stop the economic free fall, including the TARP, the ARA and the ever-escalating expenses of the Bush wars. Yes, these deficits have increased interest payments, but President Obama's actions raised the economy from the abyss, reduced unemployment to under 5%, revived economic growth and reversed the Bush trend of ever-increasing deficits. President Trump has challenges to face, but he's starting with a far better hand than President Bush dealt President Obama.

ROBERT PERRY
Hull, Mass.

Your editorial brings to mind economist Judy Shelton's prescient pre-election op-ed six months ago that

described U.K. support of Brexit and U.S. voter support of Donald Trump as "A Trans-Atlantic Revolt Against Central Bankers" (Oct. 12, 2016). The Federal Reserve's eight-year policy of extraordinarily low interest rates failed to deliver a boost to economic growth, facilitated massive federal borrowing, hurt savers and fueled a run-up in financial-asset prices.

During President Obama's two terms, the Fed pressed its monetary pedal to the metal and coaxed the White House and Congress to turbo-charge fiscal policy. Then, days before Mr. Obama was about to hand the White House keys to Mr. Trump, Fed Chair Janet Yellen opined that, "at this point fiscal policy is not obviously needed to provide stimulus to help us get back to full employment." With the Fed now tapping on the monetary brake—and suggesting that it will tap harder soon—and no longer calling for fiscal stimulus, one is forgiven for suspecting the politicization of the Fed.

TED PERKINS
Richmond, Va.

According to Article I, Section 8, Clause 1 of the U.S. Constitution, only Congress can spend federal money. Congress has had a House of Representatives under GOP control since January 2011.

ROBERT CLARKE
Highlands Ranch, Colo.

Ecuador's Election Was Entirely Above Board

Regarding Mary Anastasia O'Grady's "Ecuador's Dubious Election" (Americas, April 10): Allow me to clarify that the search of the offices of CEDATOS was not given because it gave figures favorable to the candidate Guillermo Lasso. The search was given by order of the Public Prosecutor's Office because there were indications of intentional misconduct by the pollster. The investigation seeks to clarify whether CEDATOS manipulated and falsified the figures and for what purposes.

Regarding the electoral process:

1) The rapid count of the National Electoral Council (CNE), with technical support from the prestigious National Polytechnic School, reported a two-point lead in favor of candidate Lenin Moreno the night of April 2.

2) Participación Ciudadana, an organization that criticizes the current government, reported around 8 p.m. on April 2 that there was a difference of 0.6% in favor of one of the candidates. But the following day, when this organization sent the data to the CNE, its numbers reflected a 1.6% advantage in favor of Lenin Moreno. The position

taken by this organization also remains unclear.

3) In its report, the Organization of American States (OAS), which, together with UNASUR and the International Union of Electoral Organizations observed the process, reported that the rapid count coincided with previous counts and with the official results of the CNE.

4) The electoral process has been transparent. All international observers confirm this. Dozens of governments around the world, including the United States, and organizations such as the OAS and the United Nations, have congratulated the president-elect.

The CNE, to which the OAS delivered the ISO 9001 certification (Ecuador is the second country in the Americas to obtain such certification), has guaranteed, according to the law, the right of the candidate Guillermo Lasso to challenge the results, which is currently in process.

FRANCISCO BORJA CEVALLOS
*Ambassador of Ecuador
Washington*

Great Art Doesn't Need Affirmative Action

James Simpson, the chair of Harvard's English department, tells us that "the fundamental function of literature and other art forms" is "to hear the voices repressed by . . . a given culture" (Letters, April 8). I had thought that authors' purposes were as varied as their styles and subjects, but now I see that when Milton proposed to "justify the ways of God to men," what he meant is that he would let us hear the repressed voice of Satan, to whom he gave the best lines. Since Homer, Dante, Shakespeare and Henry James wrote primarily about the upper strata of their respective societies, they must

be put aside to make room for Alice Walker and the like; for "all great literature magnifies the repressed voice."

If it took 1970s feminism to transform the English curriculum, "to massively life-enhancing effect, by hearing those women's voices," why is it that before the 1970s there were women authors from Sappho to Jane Austen to George Sand to Virginia Woolf and many others who were widely read and celebrated? Why didn't patriarchy repress them, too? It might almost seem that good literature doesn't need professorial affirmative action.

THOMAS SHORT
Frenchtown, N.J.

Time for a Better Approach To Alzheimer's Treatments

As a psychopharmacologist who has worked with chronic illnesses such as dementia, neurodegenerative disorders and psychiatric disorders for more than 35 years, I can categorically say that the reason Alzheimer's research has failed is adherence to a flawed model. Contrary to George Vradenburg and Howard Fillit's contention, we will not cure or treat Alzheimer's with drugs ("The FDA Can Declare War on Alzheimer's," op-ed, April 5).

We will succeed when we focus on prevention of the underlying metabolic disorders which activate genetic propensities. The basic science and new clinical research by Dale Bredesen show that Alzheimer's is a disorder that develops over decades as a result of inflammation and infection, disturbances of glucose

regulation, loss of trophic supports such as key nutrients and hormones, accumulation of toxic substances and brain trauma. Alzheimer's can be prevented and mild cognitive impairment can be reversed by addressing these factors in at-risk individuals. Science has moved past the "one-pill-for-every-ill" approach. Let's abandon that failed model.

PROF. RANDOLPH BRACCIALARGHE
*NSU College of Law
Davie, Fla.*

Pepper ... And Salt

THE WALL STREET JOURNAL



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OPINION

The Border-Adjustment Sleight of Hand

By Veronique de Rugy
And Daniel J. Mitchell

With Republicans in control of Capitol Hill and the White House, this should be an opportune time for major tax cuts to boost American growth and competitiveness. But much of the reform energy is being dissipated in a counterproductive fight over the "border adjustment" tax proposed by House Republicans.

The plan calls for dropping the top corporate tax rate to 20% from 35%, while exempting exports and taxing imports. House Republicans have latched onto the border-adjustment tax for a very practical and understandable reason. It supposedly

The double levy on U.S. companies' overseas profits is the actual 'Made in America tax.'

would generate more than \$1 trillion of tax revenue over 10 years. That money could finance other parts of their agenda to generate growth, such as replacing today's onerous depreciation rules with immediate expensing.

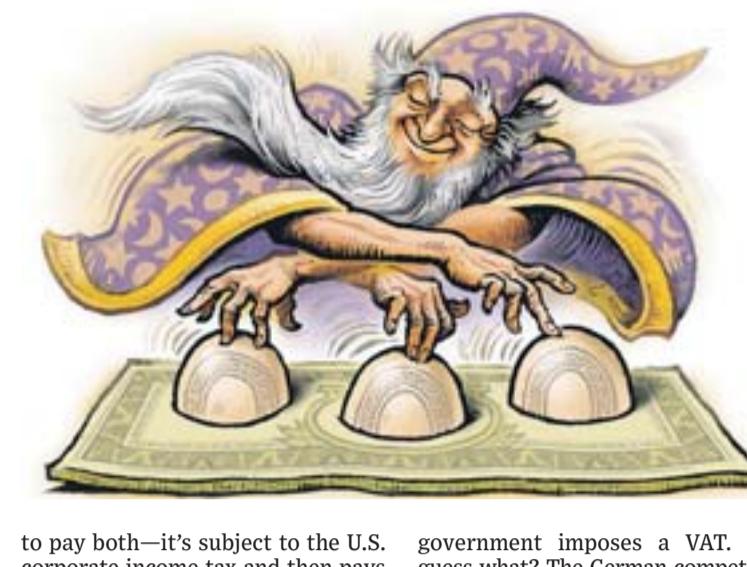
Although their intentions are reasonable, this strategy is questionable. Start with the political blunder: Republican tax plans normally receive overwhelming support from the business community. But the border-adjustment tax has created

deep divisions. Proponents claim border adjustability is not protectionist because it would automatically push up the value of the dollar, neutralizing the effect on trade. Importers don't have much faith in this theory and oppose the GOP plan.

Their concerns are legitimate. No country has ever imposed a border-adjusted corporate-income tax, so this is uncharted territory. But many countries have value-added taxes, or VATs, that are border-adjustable, and their experience might serve as a reasonable proxy. A review of the empirical literature shows that currencies adjust when a VAT is applied, but they do so neither entirely nor quickly. Factors such as poor design or improper administration can get in the way.

If the currency adjustment were perfect, there should be no effect on trade volume. But research has shown that VATs are associated with both lower exports and imports. A 2005 academic study examined 136 nations and concluded: "Countries using VATs have one-third fewer exports than do countries not using VATs, and 10 percent greater VAT revenue is associated with two percent fewer exports."

Proponents of the border-adjustment tax also are using a dodgy sales pitch, saying that their plan will get rid of a "Made in America Tax." The claim is that VATs give foreign companies an advantage. Say a German company exports a product to the U.S. It doesn't pay the American corporate income tax, and it receives a rebate on its German VAT payments. But an American company exporting to Germany has



PHIL FOSTER

to pay both—it's subject to the U.S. corporate income tax and then pays the German VAT on the product when it is sold.

Sounds horribly unfair, right? Don't be fooled. Like magicians, those making this argument are distracting the unwary, hoping that nobody will notice the trick.

Here's the real story: What matters from a competitive perspective is whether the playing field is level—and it is. When the German company sells to customers in the U.S., it is subject to the German corporate income tax. The competing American firm selling domestically pays the U.S. corporate income tax. Neither is hit with a VAT. In other words, a level playing field.

What if an American company sells to a customer in Germany? The U.S. government imposes the corporate income tax and the German

government imposes a VAT. But guess what? The German competitor selling domestically is hit by the German corporate income tax and the German VAT. That's another level playing field. This explains why economists, on the right and left, repeatedly have debunked the idea that countries use VATs to boost their exports.

Companies can be disadvantaged, though, if their country's tax regime is onerous. One big plus for Americans is that Washington does not impose a VAT, which would enable government to grow. This is a major reason that the U.S. economy is more vibrant than Europe's. In Germany, the VAT raises so much tax revenue that the government consumes 44% of gross domestic product—compared with 38% in America.

On the other hand, America's top corporate income tax of 35% is the

highest in the developed world. If state corporate income taxes are added, the figure hits nearly 40%, according to the Congressional Budget Office. That compares very unfavorably with other nations. Europe's average top corporate rate is less than 19%, and the global average is less than 23%, according to the Tax Foundation. The damage is compounded because the U.S. has a "world-wide" tax system, putting an extra levy on income that American companies earn overseas. That's the real "Made in America Tax," and it's our own fault.

The solution is to reduce the corporate rate and adopt a territorial tax system, taxing only profits earned at home, as almost all other Western countries do. The good news is that the House plan does both these things. The bad news is that the proposal is weighed down by the border-adjustment tax. Republicans should drop this controversial provision and focus on the policies that will boost growth.

To get the maximum bang for the buck, the final package should include restraints on spending—which doesn't even mean an absolute budget cut. If Congress simply limits the growth of outlays to about 2% a year, that would create enough fiscal space to balance the budget over 10 years and adopt a \$3 trillion tax cut. If Republicans want a win-win, dropping the border-adjustment tax is the way to get one.

Ms. de Rugy is a senior fellow at George Mason University's Mercatus Center. Mr. Mitchell is a senior fellow at the Cato Institute.

After ISIS, the U.S. Military Could Help Keep Iraq Stable

By James Jeffrey

Iraqi Prime Minister Haider al-Abadi has called on the U.S. to deepen cooperation with Baghdad under the 2008 U.S.-Iraqi Strategic Framework Agreement. That makes sense. America has expended incalculable resources in Iraq, intervening militarily four times since 1990. Iraq is worth the effort—the center of the Middle East, with almost two-thirds of the oil and gas reserves of Saudi Arabia, abundant water, an educated population and a functioning democracy. But if the U.S. doesn't want to intervene again, assistance must be linked to maintaining a small military contingent there.

An American-Iraqi decision on keeping U.S. troops in the country must be taken soon, as the rationale for their current presence—to defeat Islamic State—will fade as it is destroyed. The justification for a longer-term presence would be to train and equip Iraqi forces and assist against ISIS remnants. Strategically, it could also help keep Iraq independent of Iran.

The impending destruction of ISIS as a "caliphate" will rank with

the 2003 Iraq war, the Arab Spring, the Iran nuclear agreement and Russian intervention in Syria as a regional game-changer. The first four advanced the Iranian and Russian quest to upset the U.S.-led regional security order. But the defeat of ISIS could help the U.S. reverse this trend.

To do so Washington must view the region differently. Since the Cold War the U.S. has treated Middle East challenges—Iran, Saddam Hussein, Syria, Yemen, terrorism, and more—as discrete problems, not part of a larger endeavor. The U.S. assumed that the region's core, an American-led regional order, would endure.

Threats to that order from Iran, Russia and Sunni Islamists challenge this assumption. In this environment, Cold War principles—alliance solidarity and U.S. credibility—must be reinvigorated. Anything the U.S. does must support the strategy to contain Iran and combat Sunni extremists. The two are linked: Under Iranian influence, Damascus and Baghdad so oppressed their Sunni Arab populations that they turned to ISIS.

Keeping a troop contingent in Iraq would support such a strategy.

The Trump administration appears interested, but success is uncertain given that Iraq did not allow the U.S. to extend forces in Iraq in 2011. Prime Minister Abadi appears supportive, but other political leaders, the public and Iran are more or less opposed. To keep a troop presence, the U.S. will have to proceed on three avenues: "sell" the presence, link it to other assistance, and keep it noncontroversial.

A limited troop presence would support a strategy aimed at containing Iranian aggression.

Iraqis must be convinced that an American presence would support the fight against terrorism and ensure the Iraqi army does not implode as it did in Mosul in 2014. They must also be convinced that it would support Iraqi unity, by signaling to skeptical Sunni Arab and Kurdish minorities that the largely Shiite Baghdad government seeks ties to the West. Also important is

the perception that the U.S. supports Iraqi sovereignty, by signaling to Iran that Iraq will not become anyone's vassal state.

The U.S. will have to link economic assistance and diplomatic cooperation—in short, "tough love"—to clarify that in exchange for such help, Iraqi politicians have to be flexible on troops. U.S. support for Iraq beyond security has been remarkable: an IMF-led \$15 billion loan, mediation of disputes between Baghdad and Kurdistan, and the facilitation of oil production. The U.S. has a vital interest in preventing Iraq from descending into violence, enabling Iranian regional aggression, or spawning another terrorist movement, and that requires not just political and economic support but continued military ties.

But Iraq must also be reassured that a U.S. military presence would be acceptable to Iraqis. Based on the troop-extension talks with Iraq in 2011, the following would be politically acceptable.

First, the troop contingent should be limited and not permanent. The 5,000 troops contemplated in 2011 are likely the maximum politically

sustainable. U.S. troops should also be part of an international contingent and stationed on Iraqi bases. The U.S. should not again ask for Parliament-approved legal immunities for U.S. personnel, but rather extend the administrative status under which they now operate.

Second, the formal troop mission should focus on training and equipping Iraqi forces, and specific intelligence, counterterrorism and perhaps air-support functions. Everyone in the region would understand that such a presence would also help contain Iran and promote stability, but diplomacy requires that this not be explicit.

Third, the U.S. should be careful not to suggest that troops in Iraq are a combat force to project power into Syria or Iran against Baghdad's interests.

None of this guarantees that Iraq will allow such a military presence but it will make the choice easier. Stability in the entire region hangs on Iraq making the right one.

Mr. Jeffrey served as U.S. ambassador to Turkey (2008-10) and Iraq (2010-12).

Opening Our Borders Would Overwhelm America

By Dave Seminara

The immigration debate in America is often framed in absolutes: Those who want the law enforced, support the construction of a wall along the southern border, or are concerned about vetting migrants from troubled parts of the world are denounced as racist, xenophobic bigots. As a former foreign service officer who screened more than 10,000 visa applications, I've seen firsthand why tough immigration enforcement is necessary.

The question I hear most frequently regarding my time as an immigration gatekeeper is: Why can't we just let people in? It's a reasonable question. Anyone who has never lived in a corrupt country with no rule of law, unsafe drinking water, foul air and few opportunities to escape poverty may find it hard to fathom the desperation that drives

millions to strike out for the United States.

Understanding how attractive life in America is to the 1.5 million legal and illegal aliens who arrive on these shores every year is vital to understanding why strict immigration enforcement is a necessary evil. How many might come if we loosened or even removed visa restrictions?

Last year more than 76 million foreign visitors were admitted at U.S. ports of entry. We have no idea how many of them worked illegally or overstayed, because we still don't have mandatory E-Verify or a reliable entry/exit visa-tracking system. And while we don't know how many visitors would stay if we let them, we can draw some conclusions from the Diversity Visa Program, better known as the green-card lottery.

The annual lottery received more than 40 million applications from around the world from 2013-15,

including more than a million each from Egypt, Ethiopia, Iran, Nepal, Sierra Leone, Ukraine and Uzbekistan. More than 1.7 million Ghanaians played the lottery last year.

To enter the 2018 lottery, you must come from a country that sent fewer than 50,000 immigrants to the U.S. in the previous five years. For this reason, nationals of Bangladesh, Brazil, China, India, Mexico, Pakistan and more than a dozen other countries are ineligible. Further, only those with a high school diploma or sufficient work experience qualify.

Polls bolster the case for immigration enforcement. A 2008 Gallup survey of residents in 82 countries revealed that 26% of the world's population wanted to move permanently to another country. For this reason, nationals of Bangladesh, Brazil, China, India, Mexico, Pakistan and more than a dozen other countries are ineligible. Further, only those with a high school diploma or sufficient work experience qualify.

If the U.S. loosened visa restrictions or expanded the sanctuary-city concept to the national level, particularly with no similar moves from any of the world's other rich nations, we'd see the largest mass movement in human history. It would be an epic economic and environmental catastrophe. And yet in the current political climate, it's hard to find anyone outside the Trump wing of

the Republican Party willing to articulate the need for enforcement.

It wasn't always this way. In 1993 then-Sen. Harry Reid said that "no sane country" would provide rewards like birthright citizenship to the children of illegal aliens. President Clinton, in his 1995 State of the Union address, got a bipartisan standing ovation for discussing immigration in Trumpian tones. Mr. Clinton argued that illegal immigrants took jobs from Americans while imposing burdens on taxpayers. He promised to hire a record number of new border guards, deport twice as many criminal aliens, crack down on illegal hiring, and discontinue welfare benefits for the undocumented.

Anyone making these same arguments today would be labeled a xenophobe or worse. Immigration advocates have staked out the moral high ground while ignoring the messy details of enforcement and surging visa demand. Beyond promises to deport killers, rapists and terrorists, it's hard to know what type of enforcement, if any, Democrats and pro-immigration Republicans support these days. They find President Trump's "enforcement first" approach unacceptable but seem unable to articulate an alternative besides legalizing everyone in sight with a vague, unrealistic promise to get tough in the future.

The U.S. makes up only 4.4% of the world's population. Those, like me, who believe that we must maintain the right to pick and choose whom we allow to live here, rather than concede this right to the 95.6% of the planet that lives outside our borders, aren't xenophobes. We're the grown-ups in this conversation—the only ones willing to admit an unfortunate truth that's becoming more politically incorrect by the day.

Mr. Seminara is a journalist and former diplomat.

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From an interview with cognitive scientist Steven Sloman by Vox.com's Sean Illing, April 16:

Illing: How do people form opinions?

Sloman: I really do believe that our attitudes are shaped much more by our social groups than they are by facts on the ground. We are not great reasoners. Most people don't like to think at all, or like to think as little as possible. And by most, I mean roughly 70 percent of the population. Even the rest seem to devote a lot of their resources to justifying beliefs that they want to

hold, as opposed to forming credible beliefs based only on fact.

Think about if you were to utter a fact that contradicted the opinions of the majority of those in your social group. You pay a price for that. If I said I voted for Trump, most of my academic colleagues would think I'm crazy. They wouldn't want to talk to me. That's how social pressure influences our epistemological commitments, and it often does it in imperceptible ways.

Illing: This is another way of saying that we live in a community of knowledge.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, April 17, 2017 | B1

PwC Sued Over Hiring Practices

Class-action move brought by older job hopefuls to test age-discrimination laws

BY JACOB GERSHMAN

PricewaterhouseCoopers bills itself as the "place to work for millennials," who have taken jobs and internships with the accounting giant in droves. The firm annually recruits thousands of newly minted college graduates.

The firm's aggressive pursuit of youth is now the focus of a class-action suit, part of an emerging wave of litigation that is testing the boundaries of age-discrimination liability and casting a legal cloud over college recruitment programs.

Employment lawsuits alleging age bias aren't new and are usually brought by fired employees. Cases like the one against PwC allege discrimination against job applicants, whose civil rights involve a surprisingly unsettled area of law.

The named plaintiffs in the PwC case are two men—one 53 years old and the other 47—whose applications for entry-level associate positions at the firm were rejected.

The litigants have years of accounting and bookkeeping experience, but both failed to make the cut.

They allege they were turned down because they lacked the youthful profile possessed by so many PwC recruits.

To "attract and maintain 'millennials,'" PwC intentionally

screens out individuals ages 40 and older...and denies them employment opportunities," according to their lawsuit in San Francisco federal court.

Such favoritism toward millennials, the suit alleges, violates the federal Age Discrimination in Employment Act.

The plaintiffs say the ADEA was meant to cover hiring practices that may not intentionally discriminate against older workers but have a disproportionately adverse effect on them.

Lawyers for PwC say the

plaintiffs' reading of the law conflicts with Congress's intent.

Courts have upheld "disparate impact" claims against hiring practices in other contexts, such as lawsuits accusing firms of gender and race bias. Those other categories are covered by a different civil rights statute.

But the idea that company recruitment efforts aimed at students and recent graduates can be unlawful is a controversial premise that no federal ap-

Please see HIRING page B8

Mexico's New High-Tech Port Has a Problem: Uncertainty in U.S. Trade Policy



SHIPPING OUT: Mexico opened Latin America's most technologically advanced shipping terminal in Lázaro Cárdenas this month, in part to allow shippers to bypass crowded ports on the U.S. West Coast. But with U.S. President Donald Trump's tough talk on trade, what seemed like a sure bet has become a lot less certain. B3

Behind United's Fateful Move to Call Police

BY SUSAN CAREY

The recipe for the disastrous decision by United Airlines' employees to call for police to remove a passenger from a fully booked flight was years in the making.

Like most other airlines, **United Continental Holdings** Inc. follows strict rules on every aspect of handling its passengers, from how to care for unaccompanied minors to whether someone gets a whole can of Coke.

While procedures change to keep up with evolving safety and security protocols, streamlining the underlying bureaucracy can be a lower priority for

an operations-focused carrier such as United, experts said.

Deviating from the rules is frowned upon; employees can face termination for a foul-up, according to people familiar with the matter.

At United, this has helped create a rules-based culture where its 85,000 employees are reluctant to make choices not in the "book," according to former airline executives, current employees and people close to United.

Airlines crave consistency, experts said, and United isn't unique in its strict focus on rules. For carriers—which face government scrutiny on everything from pilot training to re-

pairs—the tomes of rule books can help ensure safety protocols are followed.

The company "follows manuals," said a longtime United pilot at the nation's third-largest carrier by traffic, where he said the rule-based culture was reinforced by the merger with Continental Airlines seven years ago.

The incident at United last week, in which Chicago Department of Aviation police dragged a screaming passenger, David Dao, down the aisle and off a United Express regional flight, started as a mere scheduling issue. United declined to comment on the incident, pending its investigation.

People close to the company said it could have been avoided. At least some decisions that led to the crisis were fueled by employees following rules, which are endemic to big, long-lived airlines and amount to giant manuals.

As United prepares to report first-quarter earnings on Monday, it isn't clear how much the reputational hit will cost the company. Investors so far haven't punished United's stock—shares ended last week 2% lower—but it isn't clear yet what impact the fracas will

Please see UNITED page B2

◆ A media-savvy lawyer fights United..... B2

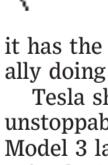
Please see WELLS page B6

United CEO Oscar Munoz. The firm reports earnings Monday.

RICHARD DREW/ASSOCIATED PRESS

HEARD ON THE STREET | Charley Grant

Tesla Must Aim High To Justify Its Valuation

 Tesla Inc. is valued as though it will soon conquer the U.S. auto market. Now, it has the small task of actually doing so.

Tesla shares have been unstoppable ahead of the Model 3 launch, having gained 40% this year. The upstart auto maker is more valuable than **Ford Motor** and slightly less valuable than **General Motors** on a market-cap basis. The crux of the excitement is the all-electric Model 3 sedan that Tesla says will start at \$35,000. Production is scheduled to begin this summer.

Tesla now trades at 271 times projected 2018 adjusted earnings, according to FactSet.

Ford and GM, in contrast, trade at less than seven and six times the 2018 estimate, respectively.

Tesla gets that valuation because it is expected to upset the auto industry while

earning big profits that would bring down the multiple. But to actually earn enough profits to reduce Tesla's multiple to something within the realm of reason would require almost heroic assumptions.

First, the basics: Say Tesla's valuation should be 10 times higher than GM's and Ford's, and say Tesla's share price stays constant at about \$300.

That means Tesla would need to earn \$4.29 a share in 2018, which equals \$700 million in total net income, assuming the current share count doesn't change.

For perspective, Tesla sold about 76,000 cars in 2016 and lost \$675 million on sales of \$7 billion.

Now the assumptions: Chief Executive Officer Elon Musk forecasts Tesla can produce 500,000 cars in 2018, while analysts, a bullish lot, peg the number of deliveries at 302,000. Let's say the delivery number is

Please see HEARD page B8

INSIDE



'FAST AND FURIOUS' SETS WORLD RECORD

MOVIES, B3



CHINA'S ZTE CRACKS TOP RANKS IN U.S.

MOBILE, B4

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BUSINESS & FINANCE

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	G
Advanced Micro Devices.....B10	General Motors....B1,B4
Alibaba Group Holding.....B9	Huawei Technologies...B4
Alphabet.....B4	Hyperloop One.....R6
Ant Financial Services Group.....B9	I
A.P. Moller-Maersk...B3	Institutional Shareholder Services.....B1
Apple.....B4	Intuit.....A1
AT&T.....B4,B10	iShares J.P. Morgan USD Emerging Markets Bond ETF...B9
B	J
Baxter Intl.....B10	J.B. Hunt Transport Services.....B2
BBK Electronics.....B4	K
BP.....B3	Kansas City Southern B3
California Public Employees' Retirement System.....A1	KPMG.....B8
Canada Pension Plan Investment Board..A10	L
China Film Group.....B3	LG Electronics.....B4
Citigroup.....A10	M
Comcast.....B3,B10	Marble.....R2
D	N
Delta Air Lines.....B2	Neiman Marcus...A1,A10
Dish Network.....B10	Nordstrom.....A10
Dispatch.....R2	P
E - F	Penguin Random House.....A12
Ehang.....R6	Y - Z
Euronet Worldwide....B9	Yelp...R2
Ford Motor.....B1	ZTE.....B4

INDEX TO PEOPLE

B	P
Bakow, Anton.....A9	Harvey, Campbell.....B8
Barrineau, James.....B9	Hawkins, Jeff.....B4
Beresford, Dennis.....B8	Herlocker, Timothy....R3
C	I
Clark, Duncan.....B3	Iyer, Vijay.....B4
Clark, Greg.....R8	J
Delaney, Matt.....R2	Johnson, Bill.....B2
Demetrio, Thomas.....B2	Johnston, A. Eric....A3
Doughtie, Lynne.....B8	K
E	Kabateck, Brian.....B2
Erb, Claude.....B8	Khoo, Victor.....R3
G	L
Gazzaway, Trent.....B4	Lloyd, Rob.....R6
Godfrey, Bill.....B2	Luner, Mike.....B4
Golan, Stephen.....B2	M - N
Gorton, Gary.....B8	Manville, Michael....R2
Guss, Karen.....R3	Marcello, Scott.....B8
H	Middendorf, David.....B8
Harris-Burland, Henry R2	Montgomery, C. BarryB2
Hartnett, Michael.....B9	Munoz, Oscar.....B2
	Musk, Elon.....R6
	Nicklin, Emily.....B8
	P
	Pai, Ajit.....B4,B10
	Piziali, Kathy.....R2
	R
	Roest, Anne.....R3
	Rogers, Christopher...B3
	Romanova, Maria....A9
	Rouwenhorst, K. Geert.....B8
	Rumsey, David.....R3
	S
	Schenone, Karen.....B9
	Smith, T.J.....R3
	T - U
	Tigar, Jon.....B8
	Usvyatko, Olga.....B4
	V - W - Z
	Vanchinathan, Siddharth.....R2
	Wallace, Brendan.....A4
	Wetherbee, Christian.B2
	Zakatov, Alexander....A9

UNITED

Continued from the prior page
have on the carrier's bookings or new employee training costs.

Fliers have vowed on social media to boycott the airline, which transported 143 million passengers last year and was seeing big improvement operationally after a few sluggish years. Many customers on social media and in the press have called on Chief Executive Oscar Munoz to resign.

United has lagged behind its rivals for years in financial and operating performance.

Last Sunday evening, Republic Airways Holdings Inc., the regional airline operating the flight for United, asked an hour before departure for four of its crew members to take the place of passengers, according to a person familiar with the matter. The crew was needed the next day at the flight's destination in Louisville, Ky., the person said. They had been delayed by a mechanical problem earlier. United agreed, according to two people with knowledge of the matter.

But the two pilots and two flight attendants didn't arrive at the gate until a few minutes before departure, according to United's pilots union. All the passengers were already seated.

United's gate agents went on board to offer compensation to customers who would agree to fly later, a negotiation that normally takes place at the gate. There are rules for this process, known as "denied boarding." No one took their top offer, \$800 plus a hotel voucher.

Instead of offering more, agents used a computer program, as dictated by the rules, to pick fliers of the least value to the airline based on factors like ticket price paid and frequent-flier status, according to people familiar with the matter.

Three obliged, but Dr. Dao, who was flying with his wife on a

trip from California, refused. So the agents, following the rules, called for law enforcement.

In hindsight, the gate agent should have said, "Folks, we're not leaving until someone gets off. If someone doesn't take the \$800, we're going to cancel the flight," said the United pilot, who wasn't involved in the incident.

But canceling the flight would have been a drastic step, according to the rule books. Seventy passengers would be stranded and require compensation and new flight arrangements the next day. The extra crew wouldn't have made it to Louisville, causing the flight the next morning to be canceled as well. People close to United said the rules-based calculus is to inconvenience the fewest number of fliers.

"Employees followed the policy," said a person familiar with United's executive suite. But questions remain about why the agents didn't raise the compensation level last Sunday, which is part of United's review expected by the end of the month. United declined to comment on the compensation decision.

It also isn't clear when United executives, who sit in the 11th floor of the Willis Tower in downtown Chicago, learned of the incident.

By Monday morning, after videos taken by passengers on the plane had spread rapidly on social media, United was on the defensive. Botched attempts by Mr. Munoz, the CEO, to explain the events appeared to make things worse.

Robert Milton, nonexecutive chairman of United and a former CEO of Air Canada, said in an interview that Mr. Munoz has the complete backing of the 15-member board.

But Mr. Milton added that Dr. Dao's mistreatment and United's flat-footed reaction must become "a defining moment in the history of United Airlines pivoting to customer service and customer delivery."

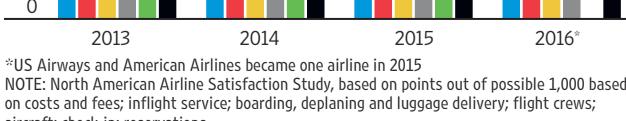
Back of the Pack

United has performed poorly in airline consumer satisfaction surveys by J.D. Power, measured against other traditional network carriers

■ Alaska Airlines ■ Delta Air Lines ■ American Airlines

■ Air Canada ■ US Airways ■ United Airlines

800 points



*US Airways and American Airlines became one airline in 2015

NOTE: North American Airline Satisfaction Study, based on points out of possible 1,000 based on costs and fees; inflight service; boarding, deplaning and luggage delivery; flight crews; aircraft; check-in; reservations.

Source: J.D. Power, a unit of McGraw Hill Financial

Truckers Struggle to Boost Profits

BY JENNIFER SMITH

More cargo is moving through U.S. ports and on the nation's highways, but whether the added volumes will boost trucking profits is another matter.

A test could come as soon as Monday, when **J.B. Hunt Transport Services Inc.**, one of the biggest U.S. freight

carriers, is expected to announce its first-quarter earnings. J.B. Hunt operates a large trucking fleet and is the leading provider of "intermodal" services, which involve arranging for trucks and trains to move freight around the country.

Often those journeys start at the docks, where imports have been surging in the past few weeks, including a 26% year-over-year jump in March at the ports of Los Angeles and Long Beach, Calif.

But trucking companies tell a different story in the interior, where a glut of trucks and uneven demand are holding down the rates carriers charge retailers, manufacturers and other shippers.

Shippers ramped up activity in March, according to the online freight marketplace DAT Solutions LLC. Loads available for shipment on the spot truckload market, where companies book freight transportation on a



LUCIE SHARRETT/BLOOMBERG NEWS

J.B. Hunt Transport Services reports quarterly results on Monday.

daily basis, were up 46% last month compared with February and 92% year-over-year. But spot rates for dry vans, the most common type of tractor-trailers used for consumer goods, were up only 7.2% year-over-year, according to DAT.

Swift Transportation Co., a large trucking company, lowered earnings guidance for the first quarter on April 10, citing soft demand. Swift said the company was "cautiously optimistic about the back half of 2017" but that it

expected the difficult operating environment to persist

into the second quarter. That same day the company said it would merge with Knight Transportation Inc.

Hub Group Inc., a J.B. Hunt rival, slashed its profit forecast, also on April 10, causing its stock to tumble about 15% the next day. Hub attributed the shift to "extraordinarily aggressive intermodal pricing" and excess capacity in the truck market.

Analysts at Citi and Cowen & Co. lowered 2017 earnings estimates for J.B. Hunt after Hub's announcement, citing pricing pressures for truckload and in-

termodal carriers. Analysts have an average forecast of 85 cents a share for the first quarter, according to FactSet. At the end of last year, the average forecast was for profit of 90 cents a share.

"Clearly, we're in a soft patch," said Citi analyst Christian Wetherbee. "The truck market has been under a good amount of pressure in the past two years."

Many trucking companies have pulled trucks from service over the past year, in a bid to tighten up capacity and gain better leverage on pricing. J.B. Hunt, on the other hand, added trucks last year to its "dedicated" segment, where the company's big rigs perform repeat business for specific customers. The firm has pared back its truckload fleet, which serves shippers who fill entire trailers with freight.

The company also has engaged in what Citi calls "aggressive pricing" in the intermodal segment, where J.B. Hunt and others have been trying to gain market share by undercutting competitors.

Intermodal providers compete with the trucking market for freight, typically offering lower prices for moving cargo long distances by rail, which tends to be slower. When truck pricing is soft that makes it hard to nudge intermodal rates higher, even as volumes are starting to rise.

Media-Savvy Lawyer Fights United

Demetrio, representing man dragged from flight, has long history with injury cases

BY ANDREW TANGEL
AND SARA RANDAZZO

CHICAGO—This isn't the first time attorney Tom Demetrio has gone up against United Airlines.

Mr. Demetrio, who is representing the Kentucky doctor dragged off United Express Flight 3411 last week, has spent more than four decades suing on behalf of injured airline passengers, consumers and medical patients.

He previously faced the airline after one of its planes crashed in Sioux City, Iowa, in 1989, killing 110 passengers and injuring scores more. His firm, Corboy & Demetrio, won multimillion-dollar payouts for victims of the crash and their families, including a \$28 million jury verdict in 1994.

"We deal with people at their worst times in life, where they're devastated, both physically, mentally—and usually financially," Mr. Demetrio said in an interview at his office in Chicago. "The satisfaction is trying to better the quality of their life."

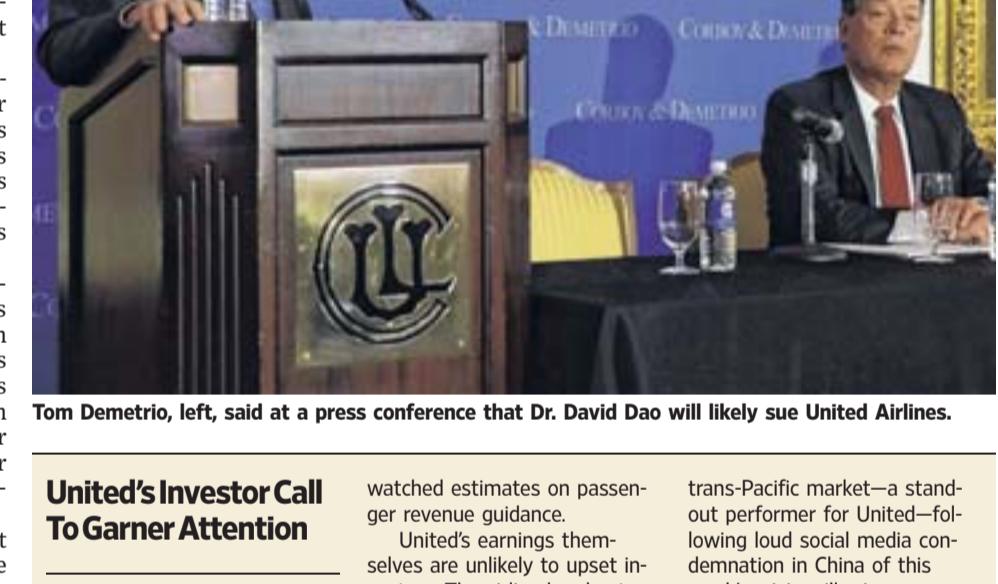
Mr. Demetrio landed Dr. David Dao's case by word-of-mouth. Dr. Dao's daughter, Crystal Dao Pepper, knows Chicago business lawyer Stephen Golan through her husband's family, both attorneys said. Mr. Golan contacted Mr. Demetrio's firm and the two are now handling the case together. That is a common progression in personal-injury cases, where the first call is often to a family lawyer or an attorney the plaintiff has used in the past.

Mr. Demetrio, 69 years old, is known among his peers in Chicago as plain-spoken and affable—as well as media savvy.

"He'll be a gentleman, but he'll make a very high demand and be tough to deal with," said Bill Johnson, a Chicago attorney who has sparred in court against Mr. Demetrio, of the likely case against United. "All this negative publicity just puts United behind the eight ball going in."

Mr. Demetrio has defended people injured by products or in medical mishaps, and National Football League players who suffered concussions and long-term brain damage. He represented the estate of Stevie Ray Vaughan after the blues guitarist died in a helicopter crash in 1990. He has secured multimillion-dollar payouts from juries and in private settlements.

He hasn't always won, of course: One loss came when a jury sided against his client, a



Tom Demetrio, left, said at a press conference that Dr. David Dao will likely sue United Airlines.

United's Investor Call To Garner Attention

United reports first-quarter earnings after the market close on Monday, but it will be Tuesday's call with analysts that sets the tone for how Chief Executive Oscar Munoz plans to frame the crisis to investors.

Until last week, United's recovery appeared to be on track. The airline's shares climbed more than 20% over the past year. Its recent investor update flagged bookings in March running above expectations. Unlike rivals such as **Delta Air Lines Inc.**, United hadn't cut closely

watched estimates on passenger revenue guidance.

United's earnings themselves are unlikely to upset investors. The airline has beaten consensus in all but two of the past 16 quarters.

Second-quarter guidance could be another matter, though a late Easter holiday and an extra Friday in June could help increase leisure travel in this quarter compared with 2016. How public anger and calls to boycott the airline have translated into any impact on near-term bookings will be a focus for Tuesday's call.

With the trans-Atlantic market mired in overcapacity, any negative reaction in the

trans-Pacific market—a standout performer for United—following loud social media condemnation in China of this week's crisis will raise more fears that international passengers may be pulling back from United.

United is boosting capacity by 4% this year, well above peers, adding flights from big hubs such as Chicago. Investors will be looking for signs that its effort to secure enhanced fares from the extra flights is bearing fruit—particularly as its costs remain higher—and that rivals aren't adding more capacity in some markets in response to United's customer woes.

—Doug Cameron

Mr. Demetrio said Dr. Dao is likely to sue United and the City of Chicago, whose aviation officers pulled Dr. Dao from the plane. Attorneys were due in court Monday to discuss preserving evidence for the case; Mr. Demetrio's office said Saturday the airline and city have already agreed to do so.

A **United Continental Holdings Inc.** spokesman pointed to a previously issued statement apologizing to Dr. Dao and expressing a "commitment to make this right." A spokesman for the City of Chicago declined to comment on pending litigation. Mayor Rahm Emanuel has said Dr. Dao's experience was "completely unacceptable at every level."

has the right to know. Plaintiffs' attorneys "are the watchdog," he said.

Mr. Demetrio said Dr. Dao is likely to sue United and the City of Chicago, whose aviation officers pulled Dr. Dao from the plane.

BUSINESS NEWS

U.S. Plans Put Mexico Port at Risk

Shippers weigh the impact of barriers to trade at a new high-tech terminal

By ROBBIE WHELAN

LÁZARO CÁRDENAS, Mexico—Latin America's most technologically advanced shipping terminal opened here early this month, with a ceremony attended by heads of state and shipping-industry royalty.

But the ambitious project faces an uncertain future as U.S. President Donald Trump weighs new trade barriers.

Major importers such as Wal-Mart Stores Inc., Samsung Electronics Co. and Target Corp. see Lázaro Cárdenas as a key link between Asia's factories and Mexico's growing middle class. They also hope to use the port as a backdoor to the U.S., bypassing congested West Coast ports via the "Nafta Railway," a network of track operated by U.S. railroad Kansas City Southern that can shuttle goods as far north as Memphis, Tenn.

APM Terminals, a unit of the world's biggest shipping company, A.P. Moller-Maersk, spent five years and \$568 million on the new terminal. APM hopes to spend up to \$900 million to expand capacity at the terminal to rival the Port of New York and New Jersey by the end of the next decade.

'The port is a microcosm of global trade flows,' says one analyst.

But what looked like a sure bet five years ago is less certain today. Mr. Trump has threatened to penalize manufacturers that move operations to Mexico and wants to renegotiate the North American Free Trade Agreement. Republicans in Congress have floated a "border-adjusted tax" that would raise the cost of imports.

Any of these measures could deal a blow to U.S.-Mexico trade, shipping companies and analysts say. Mexico's imports have grown more than 30% since 2010, according to the World Bank, and container volumes are up 60% in the past three years at Lázaro Cárdenas' older facilities, according to



Importers see the port at Lázaro Cárdenas as a link to Mexico's growing middle class and a way to bypass crowded U.S. ports.

trade data firm Panjiva. Auto parts make up a big part of those gains.

"The port is a microcosm of global trade flows," said Christopher Rogers, a research analyst with Panjiva. He added: "It's very exposed to the auto industry."

Danish conglomerate Maersk, which once touted the new terminal's "near-sourcing benefits," a reference to manufacturers producing goods in Mexico and selling them in the U.S., now says it is focusing more on using the port to import goods for Mexico's consumer market.

In an interview this month, Maersk Chief Executive Søren Skou said "the main purpose of the terminal is to be a gateway terminal for the Mexico City market," with cross-border trade secondary.

"The U.S. administration has made a number of statements that impact our business on the positive side," Mr. Skou said. "Then there are the discussions about trade deals, and some of the rhetoric seems more protectionist...It's really hard for us to judge how this will affect our business."

APM's terminal unloaded its first ship in February, and the port formally opened with a ceremony in early April attended by Mexico's president Enrique Peña Nieto and Danish Prime Minister Lars Løkke Rasmussen.

Mexico's government sees

Growing Appetite

Imports through the port of Lázaro Cárdenas, and Mexico overall, have been rising.



Source: Panjiva

developing the port as a priority. In 2013, amid rising drug cartel violence and smuggling, Mr. Peña Nieto deployed thousands of troops to the port and handed over its security to the navy, which still maintains a garrison there.

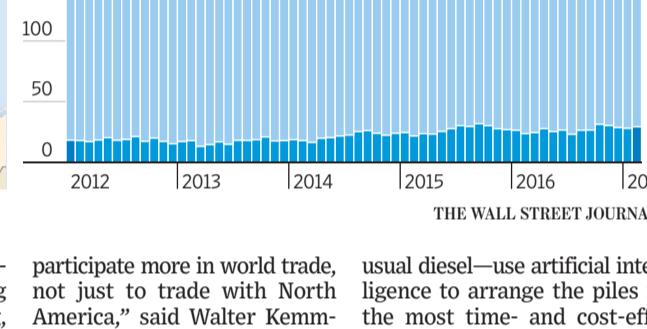
At the ceremony this month, he called the terminal "a testimony to how Mexico has been growing, how it has become a trustworthy destination...that is crucial for the transit of goods bound for the important consumer market that is Mexico, and from here to other important consumer markets."

However, in recent months, Mexico's president also has said the country will pursue trade deals with Vietnam and Japan and work more closely with China.

"Mexico's path forward is to

MEXICO'S MONTHLY IMPORT VOLUME

Imports through Lázaro Cárdenas



THE WALL STREET JOURNAL.

participate more in world trade, not just to trade with North America," said Walter Kemmies, an economist who specializes in ports and shipping. "The investment at Lázaro Cárdenas makes sense, because it's a gateway to trade with Asia."

On a stiflingly hot morning in late March, giant cranes lifted hundreds of metal boxes from the container ship Charlotte Maersk amid the soft hum of robotic machinery.

The new terminal features towering 300-foot-tall ship-to-shore cranes that can span the largest container ships currently plying routes between Asia to North America.

The cranes can pluck two containers at a time from ships, then deposit them in piles. Robotic stacking cranes that run on electricity—rather than the

usual diesel—use artificial intelligence to arrange the piles in the most time- and cost-efficient order. Such semiautomated systems are common at port terminals in the Netherlands and Singapore but have never been used in Latin America.

The facility is expected to employ about 550 people—or 250 fewer than a similar-size terminal without automation—which makes for fewer accidents and lowers container handling costs by 20%, APM says.

LOGISTICS REPORT



For more analysis on supply-chain issues via a daily newsletter, go to wsj.com/logistics.

Latest 'Furious' Zooms to the Top Of the Box Office

By BEN FRITZ

It started as a distinctly American movie about the street-racing subculture of Los Angeles.

Now "Fast and Furious" has set a new box-office record around the world at the same time it is losing speed in its home country.

Known as "Fate of the Furious" in the U.S. and "Fast and Furious 8" in most foreign countries, the latest installment of Universal Pictures' action-adventure franchise opened to an estimated \$532.5 million around the world this weekend. That is a virtual tie for the biggest-ever global launch. Walt Disney Co.'s "Star Wars: The Force Awakens" opened to \$529 million in December and the "Fate" number may be adjusted slightly when final Sunday grosses are calculated.

The massive launch was fueled primarily by foreign audiences. The eighth "Fast and Furious" opened to \$432.3 million internationally, destroying the foreign opening record of \$316.7 million set by Universal's "Jurassic World" in 2015.

"Every culture, every nation, embraced the film," said Duncan Clark, president of international distribution for Universal. "There's not a single place where they didn't like it."

In the U.S. and Canada, meanwhile, the movie opened to \$100.2 million, a big number but substantially less than the \$147

million debut of the last installment, "Furious 7," in 2015 and far behind "The Force Awakens'" record of \$248 million.

"Not every film builds on its predecessor, but eight films in to be the second biggest is extraordinary," said Nick Carapou, Universal's president of domestic distribution.

Curiosity about "Furious 7" may have been unusually high because co-star Paul Walker died during production, necessitating last-minute changes.

As expected, audiences for "Fate of the Furious," with its multicultural cast, were notably diverse. Fifty-nine percent of attendees in the U.S. were non-white, according to exit polls.

Comcast Corp.-owned Universal spent more than \$200 million to make "Fate of the Furious," but had a co-financer that may have helped with its box-office performance. The state-backed movie distributor China Film Group Co. had a stake of approximately 10% in the movie, according to a person with knowledge of the matter.

It opened to \$190 million in China, exceeding the prior record for a Hollywood film of \$182 million set by "Furious 7," in which China Film Group also had a minority stake.

"I've never watched so many cars in one film," gushed Wang Juan, a 29-year-old informational technology worker as she walked out of a screening in Beijing. "It was so cool."

One advantage was that "Fate" is the first movie in the



The eighth installment of Universal Pictures' 'Fast and Furious' franchise opened to an estimated \$532.5 million around the world.

series to open on the same weekend in China as the rest of the world, which can help both to drive interest via global publicity and to prevent piracy.

"Fast and Furious 6" was the first movie in the series to even play in China and it grossed a total of only \$66 million. "Furious 7" made a total of \$391 million, still a record in the country for a Hollywood import.

"Fate of the Furious" also set opening weekend records in Argentina, Colombia, South Africa and Vietnam and was the biggest movie in the "Fast and Furious" franchise in the United Kingdom, South Korea and Mexico.

All else being equal, studios would typically prefer to sell tickets in the U.S. more than most foreign countries because they keep a bigger portion of box-office sales and because follow-on businesses, such as DVD sales and cable-television licensing, are more lucrative domestically. Studios keep around 60% of box-office revenue on big movies like "Fate of the Furious" in the U.S., but an average of less than 50% over-

seas and only 25% in China.

"Fast and Furious" is a creaky 16-year-old franchise in the U.S., but newer to many moviegoers overseas, where it only started to gain attention with 2011's "Fast Five." With that entry, the franchise began its transformation from tales of auto-racing outlaws to globe-trotting action-adventure films in which stars like Vin Diesel, Dwayne Johnson, and Charlize Theron engage in increasingly outrageous stunts. The newest movie's settings include Cuba, New York and Siberia, and it features an action sequence with hundreds of self-driving cars and another with a nuclear submarine.

"Fast and Furious" is one of Comcast's most important cinematic franchises. It is featured in the company's theme parks and has a touring arena show set to launch next year.

Universal is already developing the ninth and 10th films in the series, which are scheduled for 2019 and 2021.

—Lilian Lin

contributed to this article.

Smashing a Record

Foreign audiences fueled the strong debut of 'Fate of the Furious'

Largest all-time overseas box-office openings

The Fate of the Furious	\$432.3 million
Jurassic World	316.7
Harry Potter and the Deathly Hallows (Part Two)	314.0
Star Wars: The Force Awakens	281.0
Pirates of the Caribbean: On Stranger Tides (3D)	260.4

Estimated U.S. and Canada box-office figures, through Sunday

SALES, IN MILLIONS

FILM	DISTRIBUTOR	WEEKEND*	CUMULATIVE	% CHANGE
1. The Fate of the Furious	Universal	\$100.2	\$100.2	—
2. The Boss Baby	Twentieth Century Fox	\$15.5	\$116.3	-41%
3. Beauty and the Beast	Disney	\$13.6	\$454.6	-42%
4. Smurfs: The Lost Village	Sony	\$6.5	\$24.7	-51%
5. Going In Style	Warner Bros.	\$6.4	\$23.4	-47%

*Friday, Saturday and Sunday Sources: Box Office Mojo; comScore

TECHNOLOGY

WSJ.com/Tech



Chevrolet Bolt Drops GPS

Built-in systems fall by the side of the road as more drivers find their way with phones

By MIKE COLIAS

Aiming to please the tech-savvy buyers of Chevrolet's new Bolt electric car, **General Motors** Co. equipped it with a 4G Wi-Fi connection and a 10-inch touch screen. But GM left out one feature that not long ago was a must-have for many car buyers: built-in navigation.

Nearly all but the cheapest budget cars sold in the U.S. are offered with factory-installed navigation at least as an add-on. Its absence on the \$37,500 Bolt is unusual—and the latest sign that the ubiquity of smartphones is fundamentally altering how drivers get around.

Many car owners are taking advantage of larger smartphone screens by mounting them on the dash or even clutching them in their hand to monitor a route while driving. Citing safety risks, car companies in the past two years have responded by equipping vehicles with **Apple** Inc.'s CarPlay or Google's Android Auto,

which allow drivers to plug their smartphones into a USB to display the phone's maps, music and other street-legal features in the dash.

GM and other car companies typically use CarPlay or Android Auto as a supplement to factory-installed navigation gear, which has long served as a lucrative revenue stream. But many consumers say they no longer bother using the built-in systems.

It is "not as much of a have-to-have feature as it was a few years ago," said Mike Luner, a general manager at a Fiat Chrysler Automobiles dealership owned by Del Grande Dealer Group in Northern California. FCA continues to offer built-in navigation across its lineup.

Jeff Hawkins, co-founder of hand-held device maker Palm Inc., bought a Bolt recently and says the lack of onboard navigation doesn't bother him because he prefers to use Google Maps on his Android phone. Mr. Hawkins, now a neuroscientist, said the Google system offers "superior design, routing and real-time advantages" to factory navigation.

Built-in navigation systems have advantages: Because they use a GPS module and software

wired into the car, they don't rely on a wireless connection. That eliminates the risk of losing access if a signal drops and minimizes the need to drain smartphone data plans by using a navigation app.

Still, the car companies' systems have endured tough criticism for not being updated in real time, requiring dealer support for updates and lacking crowdsourcing advantages offered by systems such as **Alphabet** Inc.'s Waze app.

Waze, for example, aggregates users' location data to detect backups and route drivers around traffic. Apple Maps lets users find nearby restaurants and book a reservation through OpenTable.

GM figured Bolt buyers are savvy and comfortable using the Apple or Google systems, company spokesman Vijay Iyer said. He said the car also comes with GM's OnStar concierge system, providing vocal turn-by-turn directions as another option.

GM doesn't plan to phase out navigation offerings in other vehicle lines. The company plans to eventually integrate additional location-based features on the Bolt, which comes with a \$7,500 federal income-tax rebate for electric

car purchases. For example, CEO Mary Barra last year raised the possibility of a feature that would help Bolt drivers find the most efficient route between charging stations to optimize battery life.

While they aren't the monymakers they once were, factory navigation systems still rake in profits. Research firm IHS Markit estimates the systems cost auto makers roughly \$450 on average, while consumers pay between \$500 and \$1,200.

Analysts expect margins to shrink further as more consumers discover CarPlay and Android Auto. Introduced less than two years ago, those systems are available in nearly one-quarter of vehicles produced in North America, IHS estimates.

Even if today's drivers are finding less reason to pay more for factory navigation, car companies and suppliers aren't giving up on them. That is because the self-driving vehicles of the future will need high-definition maps to navigate roadways.

As autonomous vehicle usage grows, companies are expected to layer in smarter mapping features based on more accurate imagery.

FCC Chief Faces Key Balancing Act On Net Neutrality

By JOHN D. MCKINNON

WASHINGTON—Federal Communications Commission Chairman Ajit Pai faces a tough challenge in coming days: rolling back net-neutrality rules that he regards as an overreach, without reaching too far himself. In the highly charged debate over how the Trump administration and Republican Congress would reverse the Obama-era rules, almost any misstep could be fatal to the effort.

Mr. Pai could announce his game plan as soon as this month to start acting at the commission's May meeting, according to some people familiar with the matter. His timing will be crucial.

If Mr. Pai moves too fast to kill the existing rules, he risks provoking a court fight he could lose, according to some experts. But if he goes too slowly—potentially, by starting over with the government's full rule-making process—Mr. Pai and his GOP allies might suffer politically, as protests multiply.

The net-neutrality rules require service providers such as cable and wireless firms to treat all internet traffic the same. The providers have criticized the rules as regulatory overkill, particularly because they reclassified the firms as common carriers subject to extensive oversight. But many activists say the rules are crucial to maintaining future competition. They are generally supported by a range of internet firms including Facebook Inc., Alphabet Inc. unit Google and Netflix Inc.

Whichever path Mr. Pai chooses, his road is studded with possible land mines, including vacancies on his commission, a continuing court fight over current rules and a new Supreme Court justice, the coming 2018 midterm elections and the potential for protests.

Even before Mr. Pai has officially announced his effort, it has stirred action from a coalition of internet activists that has helped spur protests over high-tech policy in recent years. Those protests helped lead to the net-neutrality rules the FCC adopted in 2015, and helped kill



antipiracy legislation that was pushed by the entertainment industry a few years earlier.

The threat of protests appears to be adding to pressure on Mr. Pai to go fast. A number of legal experts believe he could try to take some immediate action, such as seeking a declaratory or interpretive ruling from the commission that instantly reverses the agency's core 2015 decision to reclassify service providers as common carriers. But some question whether any immediate action would be upheld in a court challenge.

◆ Heard on the Street: Shift might not change a lotB10

One FCC Member Could Depart Soon, Adding to Pressure

No matter which path **FCC** Chairman Ajit Pai eventually chooses for rolling back net-neutrality rules—fast or slow—there is yet another reason why he might feel he has to start soon.

That is because he faces at least some risk that the lone remaining Democrat on the commission, Mignon Clyburn, could leave at some point after her term expires in June.

There are already two vacancies on the five-member commission, so her departure could leave the FCC without a quorum, at least until a successor is confirmed. Then it would be more difficult for the agency

to vote on policy changes—even just initiating them.

Ms. Clyburn is eligible to serve through 2018, at least until a successor is confirmed by the Senate. But she isn't required to stay around after her current term expires at the end of June. At a recent Senate hearing, she suggested she wouldn't leave her seat before then, or refuse to attend meetings. But the picture after June for the two-term FCC member is less clear. She declined to comment on her plans.

Another timing factor is the possibility that the divisive debate will drag into campaign season during the 2018 congressional election cycle. Democrats already have begun a drumbeat of criticism. Earlier this month, 32 Democratic House members wrote to Mr. Pai, urging him to retain the rules.

Social Media Outcries Leave Little Damage

By TATYANA SHUMSKY

A social media kerfuffle can bruise a company's reputation, but these incidents rarely leave a red mark on the bottom line.

Video of a passenger being dragged off a United Airlines flight is fanning the latest outrage on social media. Earlier this month, **PepsiCo** Inc. pulled an advertisement that was panned as culturally insensitive. **Starbucks** Corp. faced a backlash in January when it said it would hire 10,000 refugees globally.

These incidents often grab consumer attention, but such controversies rarely translate into a material impact on sales or earnings in the absence of serious product issues.

When money is paid—as in the case of **United Continental Holdings** Inc. refunding the ticket costs to all customers on the 70-seat flight—the effect is barely a rounding error on the final quarterly results.

"There's no way that [refunding] one flight would be material to United's total financial condition," said Trent Gazzaway, national managing partner of professional standards at accounting firm Grant Thornton.

There is also scarce executive disclosure of these events in financial filings because they aren't considered material, or likely to change a reasonable shareholder's investment decision.

A review of filings by companies including United Continental, Pepsi and Starbucks showed they so far haven't disclosed the social media incidents to the Securities and Exchange Commission.

"Social media interest by itself may not be material enough to warrant a disclosure in the financial statements," said Olga Usyvatsky, vice president of research and CPA at Audit Analytics, an audit, regulatory and disclosure research firm.

Companies typically make such disclosures, like flagging the effect of a severe storm or a cyberbreach of corporate computer systems, in quarterly reports or a so-called Form 8-K, used to notify investors of a current event that could be material to the company or affect the stock price.

A social media uproar should prompt executives to assess the potential for a material impact from a corporate-disclosure perspective. "This is a massive area of judgment for CFOs," Mr. Gazzaway said.

When determining materiality, executives weigh quantitative factors, like whether income or sales are likely to fall below a company-determined threshold, as well as qualitative factors, which are less clearly defined.

A United Airlines spokeswoman declined to comment on questions about the materiality of the incident. The company is due to report its first-quarter earnings on Monday after markets close.



BY DAN STRUMPF

U.S. regulators haven't taken kindly to **ZTE** Corp. of late, but the Chinese telecommunications giant needs American consumers more than ever if it hopes to compete in an increasingly tough smartphone market.

ZTE is the only Chinese handset maker that has managed to crack the top ranks in the U.S., where it is No. 4 by sales behind **LG Electronics** Inc., Samsung Electronics Co. and Apple Inc. Its sales have risen every year since it launched there in 2011, according to Canalys, a technology market data provider.

The growth is notable for two reasons: ZTE has faltered on its home turf of China—where since 2012 it has fallen five places to 10th in sales among smartphone manufacturers—and it has endured a bruising fight with U.S. regulators. Last month, the company agreed to pay \$892 million in fines and plead guilty to violating U.S. sanctions on Iran and obstructing justice.

But after taking those lumps, some analysts see better times ahead for China's largest publicly traded telecom manufacturer, which is set to report first-quarter earnings on Monday. Analysts polled by Thomson Reuters expect ZTE to post consolidated earnings per share of 0.23 yuan on revenue of 22.69 billion yuan (\$3.29 billion), up 3.8% from a year earlier.

Following its settlement with the Justice, Commerce and Treasury departments, the company was taken off a U.S. trade blacklist, which, had its restrictions been fully implemented, would have prevented companies from selling U.S.-made parts to ZTE. That reprieve, industry experts say, removes a cloud on its business that should allow it to sell more goods globally. Despite its regulatory troubles, the company's U.S. handset business has been growing at

a blistering pace, up 42% last year, according to Canalys.

"Clearly they gulped that bitter medicine as a cost of doing business" in the U.S., said Rushabh Doshi, a Canalys analyst, of ZTE's penalty. "ZTE is fairly unchallenged in the low-cost segment there," he said, but added that maintaining that growth clip will be difficult after a strong 2016.

ZTE didn't respond to requests for comment.

ZTE's two-sided fortunes come at a tough time for the global smartphone industry.

Sales growth is slowing, and brands have struggled to come up with models that keep consumers shelling out for new handsets as frequently as they once did.

That pain has spread to some of the biggest names in China's handset market. Last month, **Huawei Technologies** Corp., the world's largest telecom manufacturer, said its profit growth nearly ground to a halt last year as a greater share of its profits came from its lower-margin gadget and

phone business. ZTE reported a net loss of 2.36 billion yuan (\$342 million) last year due to provisions for its U.S. penalty.

Both Chinese companies have faced intensifying competition in their home market from domestic upstarts such as **BBK Electronics** Co., maker of the Oppo and Vivo brands—

ZTE's U.S. handset business has been growing at a blistering pace.

now No. 2 and No. 3 respectively by market share, according to Canalys. **Xiaomi** Corp., another Chinese phone maker, has lost ground at home and stumbled abroad.

ZTE needs to remain focused on its fast-growing U.S. market, analysts say, if it wants to move past its regulatory setbacks. It has an advantage in its longstanding part-

nships with U.S. telecom carriers like **AT&T** Inc. and **T-Mobile US** Inc., which have been key to its success with American consumers who generally buy smartphones on long-term contracts.

Huawei, for instance, one of ZTE's Chinese rivals and No. 3 in worldwide smartphone sales, has struggled to break into the U.S. given its lack of major carrier partners and concerns

raised by the U.S. government that its telecom equipment could be used to spy on Americans—suggestions the company has repeatedly denied.

"By luck or by design, ZTE has struck some pretty good relationships with U.S. carriers,

like with AT&T and some of the regional wireless operators,

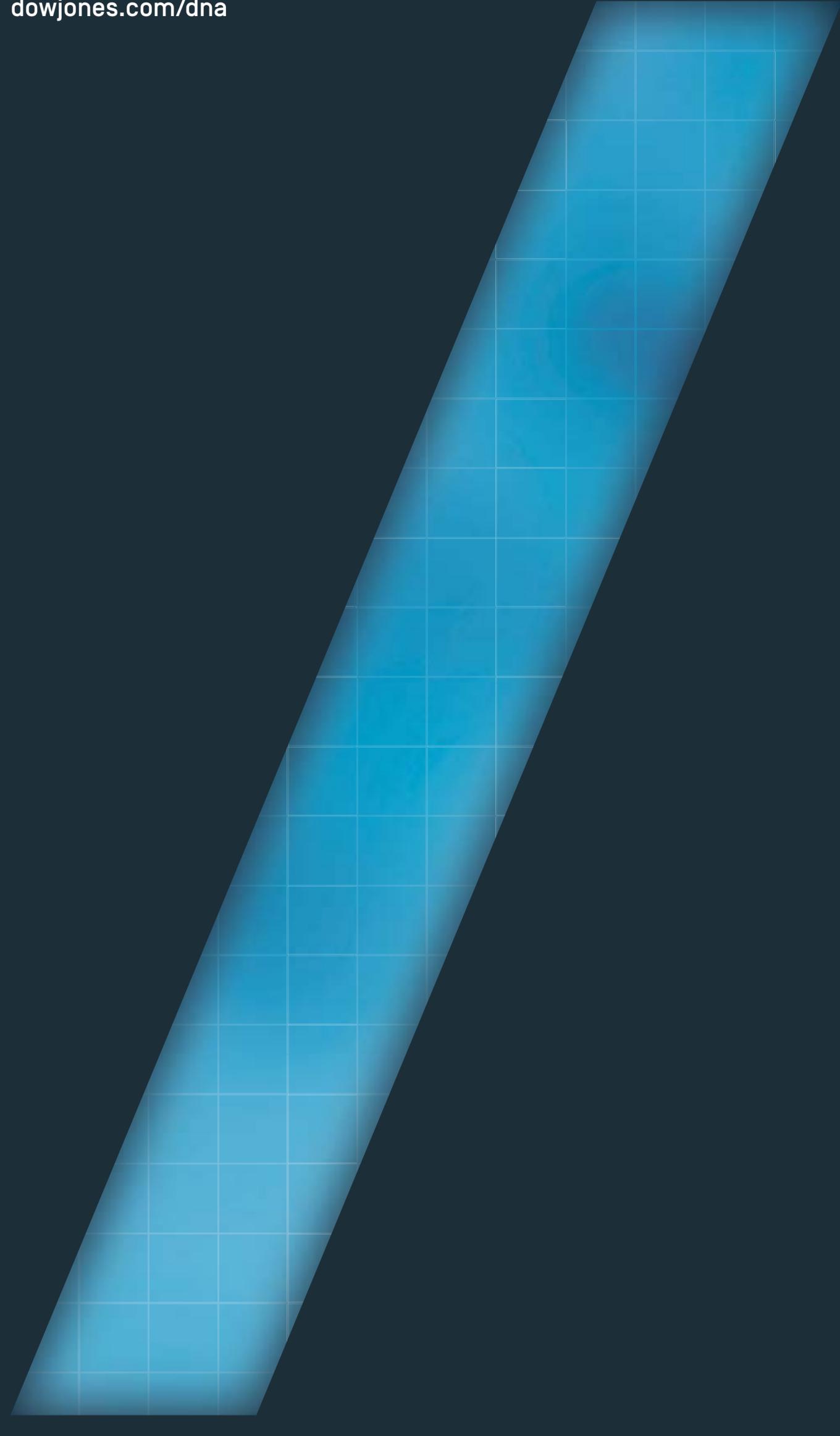
and because they were there early they acquired some good brand recognition," said Edison Lee, a Hong Kong-based telecom analyst at Jefferies.

ZTE's consumer business accounts for about a third of total revenue, while its equipment business made up 58% of revenue last year.

ZTE's consumer business

accounts for about a third of total revenue, while its equipment business made up 58% of revenue last year.

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BANKING & FINANCE

WELLS

Continued from page B1

questions about the board's role, especially after the investigation results. For instance, some want to know why the board didn't act sooner to shake up the retail-banking unit despite concerns in 2014 and 2015 about improper employee practices that included signing customers up for fake accounts to meet sales goals.

"The fraud at Wells Fargo is ultimately an oversight failure. That's why accountability—and real, meaningful change—needs to start at the top," said New York City Comptroller Scott M. Stringer. "The only question is which directors, and that is what investors are now assessing." As of Dec. 30, the city's pension funds had about \$594 million in Wells Fargo stock.

Earlier this month, the influential firm ISS recommended shareholders vote against Mr. Sanger and 11 of his colleagues on Wells Fargo's 15-member board.

The second-largest proxy advisory firm, Glass Lewis & Co., recommended investors vote for Mr. Sanger, but against six directors.

Seeing so many directors lose re-election from a major corporate board without

any replacements in store would be unusual, raising potentially serious issues for Wells Fargo and its current CEO, Timothy Sloan.

Mr. Sloan has so far avoided shouldering much of the blame for the sales problems because they occurred in the retail consumer business, which he didn't oversee.

Mr. Sloan said in an interview that he recently spoke with Warren Buffett, head of Wells Fargo's largest shareholder, Berkshire Hathaway Inc., who expressed his support for management and the board. "We value his input and engagement...at a very important time for the company," Mr. Sloan said.

Messrs. Sloan and Sanger and other Wells Fargo officials are to meet or talk with more than 20 of the largest Wells Fargo investors this week, people involved with the meetings said.

Management and board members plan to argue that the board has taken the fallout from the scandal seriously, clawing back \$183 million in pay from current and former executives.

The board has also overhauled four of its committees—risk, audit, human resources and corporate responsibility—to further strengthen their oversight of the company.

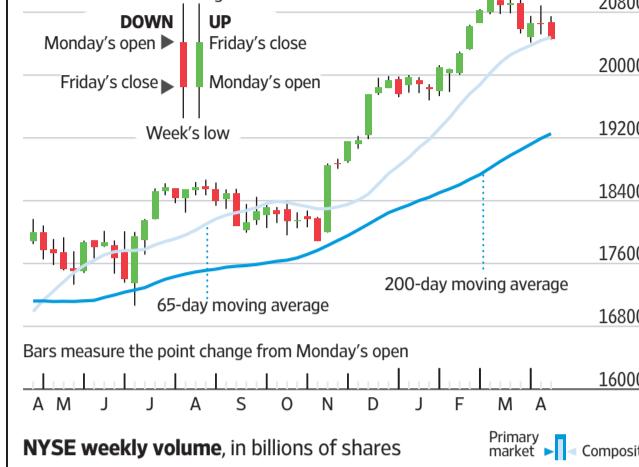
MARKETS DIGEST

Dow Jones Industrial Average

20453.25 ▼202.85, or 0.98% last week
High, low, open and close for each of the past 52 weeks

Last Year ago
Trailing P/E ratio * 20.82 18.33
P/E estimate * 17.59 16.70
Dividend yield 2.38 2.54
All-time high 21115.55, 03/01/17

Current divisor 0.14602128057775 21600



Bars measure the point change from Monday's open

NYSE weekly volume, in billions of shares Primary market ► Composite



* P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2328.95 ▼26.59, or 1.13% last week

High, low, open and close for each of the past 52 weeks

Last Year ago
Trailing P/E ratio * 24.45 23.62
P/E estimate * 18.25 17.41
Dividend yield 1.98 2.20
All-time high: 2395.96, 03/01/17



2000 1850

A M J J A S O N D J F M A

2075 2150 2225 2300 2375

1925

1800

A M J J A S O N D J F M A

1925 1850

Financial Flashback

The Wall Street Journal, April 17, 2000

United Artists Theater Co. said it faces default on its debt and has initiated discussions with its banks to restructure and recapitalize movie-theater operator.

Nasdaq Composite

▼ 72.66, or -1.24% last week

5900

5860

5820

5780

5740

5700

5660

5620

5580

5540

5500

5460

5420

5380

5340

5300

5260

5220

5180

5140

5100

5060

5020

5000

4960

4920

4880

4840

4800

4760

4720

4680

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4600

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4320

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4240

4200

4160

4120

4080

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4000

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3920

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3800

3760

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1800

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1720

1680

1640

1600

1560

1520

1480

1440

1400

1360

1320

1280

1240

1200

1160

1120

1080

1040

1000

960

920

880

840

800

760

720

680

640

600

CLOSED-END FUNDS

Listed are the 300 largest closed-end funds as measured by assets. Closed-end funds sell a limited number of shares and invest the proceeds in securities. Unlike open-end funds, closed-ends generally do not have their share price determined by who wants to buy or sell them. Instead, fund prices are set on a stock exchange.

a-The NAV and market price are ex dividend. b-The NAV is fully diluted. c-NAV is as of Wednesday's close. d-NAV is as of Wednesday's close. e-NAV assumes rights offering is fully subscribed. f-Rights offering in process. g-Rights offering announced. h-Lipper data has been adjusted for rights offering. i-Rights offering has expired, but Lipper data not yet adjusted. j-NAV as of previous day. o-Tender offer in process. v-NAV is converted at the current market rate. w-Convertible Note-NAV (notional value). x-NAV assumes rights offering is partially subscribed. y-NAV assumes rights offering is in Canadian dollars. z-NAV assumes that the information is not available or not applicable. NS signifies fund not in existence during entire period.

12-month yield is computed by dividing income dividends paid (during the previous twelve months) for periods ending at month-end or during the previous fifty-two weeks for periods ending at any time other than month-end) by the latest month-end market price adjusted for capital gains distributions.

Source: Lipper

Thursday, April 13, 2017

Fund (SYM)	NAV	Prem	Ttl	52 wk Fund (SYM)	NAV	Prem	Ttl	52 wk Fund (SYM)	NAV	Prem	Ttl	52 wk Fund (SYM)	NAV	Prem	Ttl	52 wk Fund (SYM)	NAV	Prem	Ttl	52 wk Fund (SYM)	NAV	Prem	Ttl															
		Close	Disc			Close	Disc			Close	Disc			Close	Disc	Yld			Close	Disc	Yld			Close	Disc	Yld												
Blkrk Health Sci	BME	33.39	34.21	+2.5	1.9	NuNASDAQ100 Dyn	QQQ	20.22	20.52	+1.5	1.8	Nuveen AMT-Free Mun	WVG	15.88	14.86	-6.4	6.0	Nuveen Mi Qual Muni	NUM	15.26	13.52	-11.4	6.0	Nuveen NC Qual Muni	NNC	14.79	13.11	-11.4	4.3									
Blkrk Int'l Grwth&Inco	BGY	6.48	5.85	-9.7	8.1	Nuveen Real Est Incm Fd	JRN	11.61	11.30	-2.7	12.6	Nuveen Enhancd Mun Val'd Fd	NEV	15.55	14.61	-6.0	6.2	Nuveen NJ Qual Muni	NJX	15.40	13.56	-11.9	5.6	Nuveen NY AMT-Free	NRK	14.38	13.11	-8.8	5.1									
BlackRck Rcs Comm St Tr	BCX	9.85	8.66	-12.1	27.3	Nuveen S&P 500 Dyn Overwrt	SPX	14.96	NA	18.5		Nuveen Munilinc Opp Fd	FMZ	13.09	13.23	+1.1	6.5	Nuveen OH Qual Muni	NUO	16.49	15.00	-9.0	5.0	Nuveen PA Qual Muni	NQP	14.96	13.36	-10.7	5.6									
BlackRock Science & Tech	BST	22.31	20.50	-8.1	32.6	Reaves Utility Fund	UTD	33.92	33.74	-0.4	22.9	Nuveen Qual Muni Inv	MAD	15.14	13.87	-8.4	6.0	Nuveen Va Qual Muni	NPV	14.24	13.18	-7.4	4.7	PIMCO California Muni	PCQ	14.08	16.65	+18.3	5.6									
BlackRock Utility & Infra	BUI	20.46	20.71	+1.2	25.2	Tekla Hlthcrs Opps Fd	THO	18.74	17.35	-7.4	16.2	PIMCO Muni II	PMF	12.69	13.37	+5.4	7.0	PIMCO Muni III	PMW	10.89	11.44	+5.1	6.5	Pioneer Muni Inv Adm Tr	MAV	12.01	11.42	-4.9	6.6									
CBRE Clarion BlgRtEstimn	IGR	8.82	7.68	-12.9	6.9	Tortoise Engy Ind Fd	NDE	15.62	16.44	+5.2	53.4	Pioneer Muni Inv Adm Tr	MTT	NA	22.33	NA	4.8	PIMCO California Muni II	PCK	8.58	10.04	+17.0	5.6	RiverNorth MP Lending	RMPLX	NA	NA	NS										
Central Fund of Canada	CEF	14.11	13.21	-6.4	6.0	Tortoise MLP Fund	NYG	30.20	34.95	+13.5	50.9	Voya Senior Income A	12.77	NA	NA	NA	5.4	Voya Senior Income B	12.71	NA	NA	4.9	Voya Senior Income C	12.75	NA	NA	4.9	Voya Senior Income D	12.74	NA	NA	5.7	Voya Senior Income E	12.78	NA	NA	5.6	
Cohen & Steers Fund	CEP	17.30	12.60	-8.4	25.9	Tortoise Pipeline & Engy	TPP	23.49	21.58	-8.1	54.3	Voya Senior Income F	12.79	NA	NA	NA	5.4	Voya Senior Income G	12.77	NA	NA	4.9	Voya Senior Income H	12.75	NA	NA	4.9	Voya Senior Income I	12.74	NA	NA	5.7	Voya Senior Income J	12.78	NA	NA	5.6	
Cohen & Steers Qual Inc	RQI	13.69	12.82	-6.4	13.2	Tortoise Tax-Inv Fd	DPE	18.81	16.71	-11.2	11.7	Voya Senior Income K	12.77	NA	NA	NA	5.4	Voya Senior Income L	12.71	NA	NA	4.9	Voya Senior Income M	12.75	NA	NA	4.9	Voya Senior Income N	12.74	NA	NA	5.7	Voya Senior Income O	12.78	NA	NA	5.6	
CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income P	12.79	NA	NA	NA	5.4	Voya Senior Income Q	12.77	NA	NA	4.9	Voya Senior Income R	12.75	NA	NA	4.9	Voya Senior Income S	12.74	NA	NA	5.7	Voya Senior Income T	12.78	NA	NA	5.6	
CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income U	12.79	NA	NA	NA	5.4	Voya Senior Income V	12.77	NA	NA	4.9	Voya Senior Income W	12.75	NA	NA	4.9	Voya Senior Income X	12.74	NA	NA	5.7	Voya Senior Income Y	12.78	NA	NA	5.6	
CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income Z	12.79	NA	NA	NA	5.4	Voya Senior Income AA	12.77	NA	NA	4.9	Voya Senior Income BB	12.75	NA	NA	4.9	Voya Senior Income CC	12.74	NA	NA	5.7	Voya Senior Income DD	12.78	NA	NA	5.6	
CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income EE	12.79	NA	NA	NA	5.4	Voya Senior Income FF	12.77	NA	NA	4.9	Voya Senior Income GG	12.75	NA	NA	4.9	Voya Senior Income HH	12.74	NA	NA	5.7	Voya Senior Income JJ	12.78	NA	NA	5.6	
CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income KK	12.79	NA	NA	NA	5.4	Voya Senior Income LL	12.77	NA	NA	4.9	Voya Senior Income MM	12.75	NA	NA	4.9	Voya Senior Income NN	12.74	NA	NA	5.7	Voya Senior Income OO	12.78	NA	NA	5.6	
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CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd	ETW	10.98	11.00	+0.2	37.3	Voya Senior Income UU	12.79	NA	NA	NA	5.4	Voya Senior Income VV	12.77	NA	NA	4.9	Voya Senior Income WW	12.75	NA	NA	4.9	Voya Senior Income XX	12.74	NA	NA	5.7	Voya Senior Income YY	12.78	NA	NA	5.6	
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CogenStrs Pfd Fd	RNP	22.43	19.89	-11.5	33.5	Tortoise Tax-Mngt Fd</td																																

MARKETS & FINANCE

KPMG's Star Auditor Falls Hard

Executive's firing amid scandal over information leak stuns the accounting world

BY MICHAEL RAPORT AND DAVE MICHAELS

Scott Marcello was supposed to be the man to redeem KPMG LLP's audit business. Instead, he and other top partners became the center of a scandal that tarnished the firm's reputation.

The accounting world was stunned last week when Mr. Marcello, KPMG's top audit official, was fired over a leak of confidential information. The firm said Mr. Marcello, who turns 54 this month, and four other partners were let go over the mishandling of a tip that gave the firm improper advance word about which of its audits its regulator planned to scrutinize in its annual in-

spections.

Mr. Marcello, a three-decade veteran at the firm, was a highly regarded and technically accomplished auditor, specializing in the intricate financial statements of banks and insurers. He climbed the ladder at KPMG to become the Big Four accounting firm's vice chairman of audit, managing a workforce of thousands of auditors. After his 2015 promotion from national leader of the firm's financial-services practice, he faced the challenge of satisfying KPMG's regulator, the Public Company Accounting Oversight Board, which in recent years had scored KPMG's auditing performance below that of other big firms.

People who know Mr. Marcello said they were surprised such an experienced, knowledgeable auditor is accused of having gotten into such a fix.

"It's a huge and disappointing thing to happen to such a

fine individual," said Dennis Beresford, former chairman of the Financial Accounting Standards Board, the U.S. accounting rule-writing panel, who knows Mr. Marcello from common ties to a professional organization. He called Mr. Marcello "personable and extremely competent."

Mr. Marcello declined to comment to a Wall Street Journal reporter at his Connecticut home. KPMG and the accounting board declined to comment.

Details of the leak to KPMG are still unclear, as are the precise roles that Mr. Marcello and his deputy David Middendorf, who also was fired, are alleged to have played in the process. But they were aware that others at KPMG had received leaked information and "failed to report the situation in a timely manner," KPMG said in a statement Tuesday.

Lynne Doughtie, the firm's chairman and chief executive,



KPMG fired Scott Marcello

could have given KPMG a leg up in preparing for the PCAOB's inspection, widely seen as a key report card on the quality of the firm's audits.

Mr. Marcello cast the image of an auditor well prepared for the job: He had deep knowledge of accounting practices through his auditing of complex financial companies as well as a two-year fellowship at the FASB, which also gave him experience as a rule maker and in dealing with the Securities and Exchange Commission.

Mr. Marcello wanted to find a way to provide more timely services to companies and investors than an auditor's typical annual audit opinion on a company. "We've got to get to this place where we are really dealing in the real time with the things that people use to make important decisions," he told an industry conference last August.

HIRING

Continued from page B1
peals court has ever endorsed.

Courts have looked at the question more closely after a recession that saw many seasonal workers lose their jobs and toil to find new ones.

Advocates for older Americans say age discrimination in hiring is driven by a common misperception that younger workers are more productive, creative, trainable and cheaper.

Their legal arguments have gotten support from the U.S. Equal Employment Opportunity Commission and a sympathetic hearing from some judges, including from the district-court bench presiding over the PwC case.

"The history of the ADEA's enactment reveals that Congress was concerned not just with age discrimination within the workplace, but also with the barriers to older workers finding employment in the first place," wrote Judge Jon Tigar of San Francisco in February when he declined to dismiss the case.

The ADEA prohibits an employer from depriving an individual of employment opportunities "or otherwise adversely affect[ing] his status as an employee" because of the person's age.

It is the meaning of "status as an employee" that is hotly contested. Lawyers for PwC say the words clearly restrict the protections to the currently employed, not job seekers. "We are asking the court to apply the law as written," said PwC attorney Emily Nicklin of Kirkland & Ellis LLP in Chicago.

The Supreme Court could soon provide clarity on the question. The justices are considering whether to take up a similar class action brought against R.J. Reynolds Tobacco Co., which was sued by a 49-year-old man rejected for a sales position.

A three-judge panel of the 11th U.S. Circuit Court of Ap-

Wall Street Critic Takes Aim at Commodities

BY IRA IOSEBASHVILI AND TIMOTHY PUKO

Campbell Harvey looks at Wall Street and sees a lot of ideas that are easy to sell but hard to trust.

The Duke University finance professor is making a career out of challenging research backing the products firms pitch to investors. Much of it, he says, just isn't sound.

His studies have shown that more than half of all research pumped out by both academics and analysts is, in his words, "likely false." Mine enough data, and you can find a result that backs up your idea, Mr. Harvey says.

While his contrarian ideas have put him at odds with many on Wall Street, Mr. Harvey's work has shown up in research and strategies employed by Goldman Sachs Group, GMO LLC's Jeremy Grantham and the Federal Reserve Bank of New York, among others.

His next project is aimed at one of his favorite targets: commodities. When a famous academic paper helped bring the asset class into the mainstream in the early 2000s, Mr. Harvey warned that commodities were too opaque and volatile to hold for the long term, and were unlikely to provide the stocklike returns that some consultants suggested. Prices for oil, metals and other raw materials crashed twice in the following decade, vindicating his position.

With the asset class coming back into vogue, Mr. Harvey is preparing a paper challenging popular strategies in commodities investing.

"People still believe they should be buying commodity futures," Mr. Harvey said. "I feel the obligation to correct that misperception."

He may have some persuading to do. With signs of global economic growth picking up,



Campbell Harvey seeks to correct the 'misperception' that people should invest in commodities.

turns on par with the S&P 500, but with the added benefit that their prices didn't move together with stocks and bonds.

Messrs. Gorton and Rouwenhorst worked with American International Group Inc., they noted in the paper. The insurer had developed the Dow Jones AIG Commodity Index about six years before and then used the research by Messrs. Gorton and Rouwenhorst to sell investment products tied to that index, according to people familiar with the process. An AIG spokeswoman declined to comment for this article. Messrs. Gorton and Rouwenhorst declined to comment. In their 2015 follow-up paper, they said their earlier findings on commodities "largely hold up."

Many consultants seized on their research to market commodities products to large investors. Giant pension funds like the California Public Employees' Retirement System and the Illinois Teachers' Retirement System began allocating money to commodities for the first time.

"When we read that paper, we just shook our heads," Mr. Harvey said, referring to himself and co-author Claude Erb, at the time a portfolio manager at Trust Company of the West. "The narrative was problematic."

Mr. Harvey stress-tested some of the other paper's main claims. For example, he said that replicating as diverse a commodities portfolio as Messrs. Gorton and Rouwenhorst recommended would prove challenging in the real world since many commodities, such as tin or butter, are thinly traded.

"This is much more complicated than buying a stock or bond," Mr. Harvey said. "The sector is fraught with risk for retail investors, and it is discouraging that so many institutions get it wrong as well."

The litigants have years of experience, but both failed to make the cut at PwC.

peals in Atlanta voted to allow that suit to be heard. The 2-1 ruling was later overturned by the full appeals court, prompting the plaintiff to take the case to the Supreme Court.

The PwC plaintiffs focus on the company's "campus track" jobs portal that the lawsuit alleges prevented individuals no longer affiliated with a college campus from applying for entry-level openings.

The complaint points to PwC recruitment brochures filled with images of fresh-faced 20-somethings and the firm's estimate that 80% of its employees were born in 1980 or later.

The suit also cites a Harvard Business Review article authored by a top PwC executive trumpeting the firm's "strikingly young" workforce.

Business groups say Congress wasn't thinking about campus recruitment when it drafted the ADEA four decades ago.

Permitting plaintiffs to bring these suits would threaten on-campus recruiting and "expose businesses to large collective action claims by virtue of mere statistics," a U.S. Chamber of Commerce court filing cautions.

AARP, the powerful lobbying group for older Americans, told the Supreme Court in a brief that unless these age-discrimination suits are allowed to proceed, "the ADEA will become mere words on paper for" older, jobless Americans who have struggled to bounce back.

Unemployed workers between 45 and 54 have been unemployed for an average of 10 weeks longer than jobless Americans between 25 and 34, according to the U.S. Bureau of Labor Statistics.

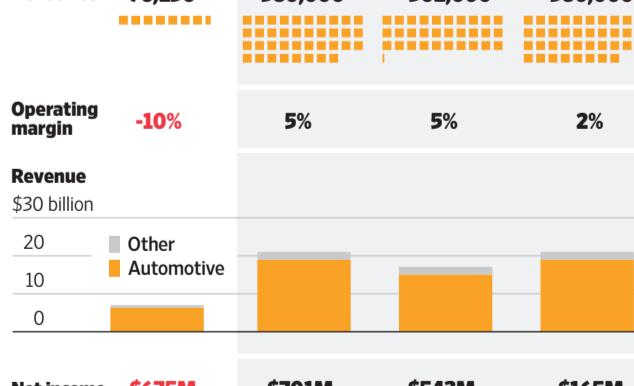
At the same time, the percentage of new hires who are recent college graduates is up by more than 40% from a decade ago, according to the National Association of Colleges and Employers, which tracks college hiring.

The Supreme Court has asked for briefing in the R.J. Reynolds case but hasn't decided whether to hear it.

HEARD

What If

Three scenarios of what net income Tesla could earn in 2018



Note: Analysis assumes an average vehicle-selling price of \$50,000, interest expense of \$200 million and income tax of 25%.

Sources: FactSet; WSJ analysis

shares.

Tweak any of these variables—lower sales, lower margin, lower selling price—and Tesla doesn't come close to earning enough to get to 10 times the multiple of its bigger rivals by the end of 2018.

Valuation has never mattered before for Tesla's investors and it may not

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BANKRUPTCIES

NOTICE OF FORECLOSURE SALE
NOTICE IS HEREBY GIVEN that on May 3, 2017 at 10:00 A.M. Eastern Daylight Time, in the offices of Vedder Price P.C., 1633 Broadway, 31st Floor, New York, New York, pursuant to that certain Aircraft Security Agreement (MSN 37306), dated as of September 18, 2015 (as supplemented, amended and in effect as of the date hereof, the "Security Agreement"), between the Owner Trustee, and permitted assigns, the "Owner Trustee", and Bank of Utah, as security trustee (together with its successors and permitted assigns, the "Security Trustee"), and in its capacities as the secured party and foreclosing lender, the "Security Trustee", and its related debtors, and pursuant to Section 9-101 of the Uniform Commercial Code, as adopted in applicable state, and by reason of the fact that the Lender holding all of the loans under the related loan agreement, the Security Trustee will hold a public foreclosure auction to offer for sale all of the Owner Trustee's estate, right, title and interest in and to the assets, properties, rights and interests assigned and pledged as collateral by the Owner Trustee to the Security Trustee under the Security Agreement, including, without limitation, all of the Owner Trustee's right, title and interest in and to the following collateral (collectively, the "Collateral"): (i) one (1) Boeing model 787-8 airframe bearing manufacturer's serial number 37306 and FAA Registration No. N887BA, along with two (2) Rolls-Royce Trent 1000-AE aircraft engines bearing manufacturer's serial numbers 10312 and 10293, along with all related equipment, parts and accessories in respect of the aircraft and related equipment (collectively, the "Aircraft"); (ii) all flight records, logs, manuals, maintenance data and inspection, modification and overhaul records and other documents relating to any portion of the Aircraft; (iii) related warranty rights, (iv) related insurance rights and (v) the remainder of the Collateral (as defined in the Security Agreement).
Terms and Conditions of Sale.
1. The Collateral shall be sold as a whole lot or in multiple partial lots (for example, the Aircraft and/or the Collateral may be sold either together or separately) as determined by the sole discretion of the Security Trustee. "AS IS, WHERE IS" basis, with all faults, and without recourse to the Security Trustee or the Lender. The Security Trustee and the Lender make no representations or warranties, express or implied, as to the value, condition, merchantability or fitness for use of any of the Collateral or any other representation or warranty with respect to the Collateral whatsoever. The Security Trustee and the Lender do not claim title to the Collateral being sold hereunder and each disclaims any warranty of title, possession, quiet enjoyment, value or quality of the Collateral and the like in any sale.
2. The Collateral (or portion thereof) will be sold at public auction to the bidder with the highest or otherwise best bid (or portion thereof) by the Security Trustee and the Lender, for cash, except as otherwise provided herein, and on such other commercially reasonable terms as the Security Trustee and the Lender may determine in accordance with the Security Trustee's bid procedures (the "Bid Procedures"), a copy of which is available upon request from the representatives listed below.
3. The public auction sale will take place at the time listed above.
4. The Security Trustee and/or the Lender reserve the right to bid at the sale and to credit bid all or any part of the total amount of their secured claims in satisfaction (or partial satisfaction) of the purchase price as determined by the Bid Procedures. The Security Trustee and the Lender further reserves the right, at their option to do so, to waive any or any terms or conditions of any sale and, if the Security Trustee deems appropriate, to reject any bids and/or to adjourn, delay or terminate any sale.
5. For a copy of the Security Trustee's Bid Procedures, the above-referenced documents or additional information regarding the terms of the sale or the Collateral, or inquiries regarding legal issues or technical specifications regarding the Collateral, please contact (a) counsel for the Lender, Vedder Price P.C., Michael J. Edelman, Esq. (Tel: 212-407-6970) or Cameron A. Gee, Esq. (Tel: 212-407-6929), 1633 Broadway, 31st Floor, New York, NY 10019, Fax: 212-407-7799 or e-mail: MJEdelman@VedderPrice.com or CGee@VedderPrice.com or (b) for technical specifications, James Raff (Tel: 312-508-5505). All bidders and others requesting confidential information relating to the Collateral will be required to sign a confidentiality agreement. No information provided in response to such request shall constitute a representation or warranty.

commodities have bounced back after bottoming in early 2016. The S&P GSCI Index, which tracks commodity futures, rose 28% last year. That was the index's biggest gain since 2009, though its rally has stalled a bit this year with stagnating oil prices.

The recent rally has reignited investor interest in mate-

rials and resources. Commodity assets under management are up 41% from a year ago, rising to \$408 billion as of the end of February, according to CitiGroup Inc.

Commodities, over long cycles, have provided diversification that reduces volatility," said Omar Aguilar, chief investment officer at Charles Schwab

Investment Management.

Mr. Harvey's interest in commodities was piqued by a 2004 paper from Yale University professors Gary Gorton and K. Geert Rouwenhorst.

Their research analyzed a commodity-futures portfolio from 1959 to 2004. They argued that a broad index of commodity futures offered annual re-

turns on par with the S&P 500, but with the added benefit that their prices didn't move together with stocks and bonds.

Messrs. Gorton and Rouwenhorst recommended would prove challenging in the real world since many commodities, such as tin or butter, are thinly traded.

"This is much more complicated than buying a stock or bond," Mr. Harvey said. "The sector is fraught with risk for retail investors, and it is discouraging that so many institutions get it wrong as well."

Mr. Harvey stress-tested some of the other paper's main claims. For example, he said that replicating as diverse a commodities portfolio as Messrs. Gorton and Rouwenhorst recommended would prove challenging in the real world since many commodities, such as tin or butter, are thinly traded.

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FUNDS

Emerging-Market Debt ETFs Underperform

BY CAROLYN CUI

Exchange-traded funds have jolted stock picking with their low costs and strong performance. But in emerging-market debt, they are facing greater competition from active investors.

ETFs, baskets of assets that trade like stocks, have exploded in popularity as a low-cost way to access specific countries or markets. They have become impossible to ignore in the \$3.6 trillion emerging-market bond market. Already in 2017, an iShares ETF has attracted more than \$2 billion to become the world's largest fund for developing-nation debt.

But in a year when emerging markets are in the spotlight as big winners, underperformance by the ETFs is also raising concerns over whether they are

suitable instruments for betting on volatile developing nations.

Debt issued by governments and companies in emerging economies can be harder to buy and sell. Higher transaction costs have resulted in tracking errors in emerging-market bond ETFs. The complexity of these bonds, particularly those of far-flung markets, can also give an edge to active bond managers, who in some cases have spent decades gaining an understanding of idiosyncratic political and currency risks.

"There's an aura around ETFs that you're going to get an exposure to an asset class very cheaply and you're going to track the benchmark," said James Barrineau, co-head of emerging-market debt at Schroders Investment Management Ltd. "That by and large works for equities, but debt is a

very different instrument."

Assets in the **iShares J.P. Morgan USD Emerging Markets Bond ETF**, called EMB, reached more than \$10 billion this year to surpass the actively

The complexity of these bonds can give an edge to active investors.

managed Pictet Asset Management's Global Emerging Debt fund.

But EMB trailed its benchmark by a cumulative 4.92 percentage points between 2011 and 2016, according to BlackRock Inc. data. That amounts to an underperformance of 0.8

percentage point on an annualized basis. Even after excluding a 0.4% expense ratio, the performance still lagged behind the benchmark by 0.4 percentage point annually.

"We're trying to track the universe as closely as possible, while dealing with the over-the-counter nature of the EM debt market," said Karen Schenone, a fixed-income strategist at BlackRock.

Broadly, the average emerging-market bond ETF has returned over a five-year period 1.66% annually, while their active counterparts returned 1.95%, according to Morningstar Inc. data. From the start of 2017 through Wednesday, the average total return on emerging-debt ETFs was 4.15%, while the comparable figure for active funds was 5.32%. Over three years, ETFs slightly out-

performed active funds.

ETF managers say the majority of active managers also trail their benchmark over time. While 62% of the active emerging-market bond managers beat the benchmark in 2016, only 14% outperformed over a five-year period, according to S&P Dow Jones Indices LLC.

"We've done a fairly good job over a long period of time," said Fran Rodilosso, who runs a \$3.1 billion Van Eck ETF. His fund lagged behind its benchmark by 0.74 percentage point annually in the five years ended March 31 and by 0.27 percentage point after fees.

On average, emerging-market debt ETFs charge 0.46%, while an active fund's expense ratio is 1.16%, according to Morningstar.

The lackluster ETF perfor-

mance numbers contrast sharply with flows of funds into the securities since mid-2016. Emerging-market bond ETFs have nearly doubled in assets in the past year as of March, while traditional bond funds grew by 30%, according to data provider EPFR Global.

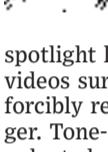
Emerging-market bonds broadly have attracted money this year as the economic outlook for developing countries improved, fears over President Donald Trump's protectionist policies eased and yield-hungry investors piled in.

Simon Lue-Fong, who manages the \$7.6 billion Pictet fund, said in the volatile world of emerging-market debt, only active managers can identify severe dislocations that lead to outsize returns or protect a portfolio when signs of distress start to surface.

EQUITIES

AHEAD OF THE TAPE | Steven Russolillo

Friendlier Skies for United Continental

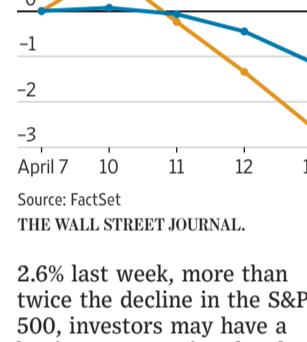

United Continental Holdings Inc. will be just fine. The air carrier was thrust into the global spotlight last week when videos surfaced of police forcibly removing a passenger. Tone-deaf apologies and a dented stock price later, United looks battered.

Looks can be deceiving: Wall Street has actually become more optimistic on United despite the negative attention. At least two analysts published notes last week touting United's sound underlying business, mostly due to good data the company unveiled earlier in the week. Cowen & Co. was so impressed it raised its price target to \$75 from \$72, thanks to better-than-expected unit revenue and lower jet-fuel costs.

After United's stock fell

Turbulent

Share and index performance



Source: FactSet

THE WALL STREET JOURNAL

results.

But what matters more is what United says on its earnings call Tuesday morning.

In contrast to its public-relations effort, the hard data suggest United's operations actually improved of late. Consider the data on overbooking flights: Last year, 86.8 million passengers flew United, while 3,765 were involuntarily bumped from their flights, according to the Transportation Department. That comes out to a rate of 0.43 involuntary denied boardings for every 10,000 passengers, just fifth worst out of 12 major airlines and below the industry average of 0.62.

United also is coming off a strong year in other areas. It said that for all of 2016, it had its best on-time performance, while notching the fewest cancellations, delay minutes and mishandled bags in its history. And after

finishing 2013 in last for overall U.S. airline rankings published by The Wall Street Journal, United improved to fifth place last year.

None of this will matter if United says that bookings have fallen, especially with the busy summer travel season coming up.

If United can improve its recent communications effort, investors might see opportunity in the airline's stock. And although United's shares have tripled in value over the past five years, its valuation still looks compelling. The company's prospective multiple of enterprise value to earnings before interest, taxes, depreciation and amortization is 4.4 times, near the lowest among its major rivals.

Following a strong post-election bump, United's shares have waffled since. The turbulence should fade soon.

THE TICKER | Market events coming this week

Monday

Empire Manufacturing
March, previous 16.4
April, expected 15.3

Earnings expected*

Estimate/Year Ago(\$)
Brown & Brown 0.42/0.44
Equity LifeStyle 0.63/0.60
J.B. Hunt Transport 0.85/0.88
M&T Bank 1.94/1.73
Netflix 0.37/0.06
United Continental 0.38/1.23

Tuesday

Building permits
Feb., previous 1.21 mil.
March, expected 1.25 mil.

Capacity utilization
Feb., previous 75.4%
March, expected 76.2%

Housing starts
Feb., previous 1.29 mil.
March, expected 1.24 mil.

Industrial production
Feb., previous 0.0%
March, expected up 0.5%

Earnings expected*

Estimate/Year Ago(\$)
Bank of America 0.35/0.21
Charles Schwab 0.36/0.29
Goldman Sachs Group 5.31/2.68
IBM 2.35/2.35
Johnson & Johnson 1.77/1.68
UnitedHealth Group 2.17/1.81

Wednesday

Mort. bankers indexes
Purch., previous up 3.0%
Refinanc., previous 0.0%

NETFLIX/EVERETT COLLECTION



A scene from the Netflix show 'House of Cards.' Netflix reports quarterly results on Monday.

EIA status report

Previous change in stocks in millions of barrels

Crude oil down 2.2

Gasoline down 3.0

Distillates down 2.2

Earnings expected*

Estimate/Year Ago(\$)

Abbott Laboratories 0.43/0.41

American Express 1.28/1.45

BlackRock 4.90/4.25

Morgan Stanley 0.89/0.55

Qualcomm 1.19/1.04

U.S. Bancorp 0.80/0.76

Thursday

Initial jobless claims

Previous 234,000

Expected

240,000

EIA report: natural gas

Previous change in stocks in billions of cubic feet

up 10

Leading indicators

Feb., previous up 0.6%

March, expected up 0.3%

Philadelphia Fed survey

March, previous 32.8

April, expected 27.5

Earnings expected*

Estimate/Year Ago(\$)

Bank of New York Mellon 0.80/0.74

BB&T 0.41/0.67

Expected

0.84/1.08

Danaher

Philip Morris Intl. 1.04/0.98

Verizon

0.97/1.06

Visa

0.79/0.68

Friday

Existing-home sales

Feb., previous 5.48 mil.

March, expected 5.57 mil.

Earnings expected*

Estimate/Year Ago(\$)

General Electric 0.17/0.21

Honeywell International 1.62/1.53

NextEra Energy 1.51/1.55

Schlumberger 0.25/0.40

Stanley Black & Decker 1.19/1.28

SunTrust Banks 0.84/0.84

Currencies

U.S.-dollar foreign-exchange rates in late New York trading

Country/currency	Fri. in US\$	YTD chg. (%)	Country/currency	Fri. in US\$	YTD chg. (%)
Americas			Thailand baht	.02911	-34.350 -4.1
Argentina peso	.0660	15.1620 -4.5	Vietnam dong	.00004410	22.675 -0.4
Brazil real	.3180	3.1447 -3.4	Canada dollar	.7504	1.3327 -0.9
J.B. Hunt Transport	.085/0.88		Chile peso	.001540	64.930 -3.1
M&T Bank	1.94/1.73		Colombia peso	.0003489	2866.17 -4.5
Netflix	0.37/0.06		Ecuador US dollar	1	1 unch
United Continental	0.38/1.23		Mexico peso	.0540	18.5130 -10.7
			Peru new sol	.3076	3.252 -3.0
			Uruguay peso	.03500	28.5700 -2.7
			Venezuela b. fuerte	.098626	10.1394 1.4
Asia-Pacific					
Australian dollar	.7577	3.1398 -4.9			
China yuan	.1452	6.8854 -0.9	Japan yen	.009205	10.863 -7.2
Japan yen	.1286	7.7733 -0.2	Korea won	.120320	312.25 -6.4
Korea won	.1286	7.7733 -0.2	New Zealand dollar	.0	

MARKETS

THE DAILY SHOT | By Lev Borodovsky

The Reflation Trade Fizzles

Markets have arrived at a crossroads. A euphoric response to the U.S. election has dissipated, raising questions about what dynamic will next drive valuations and trading.

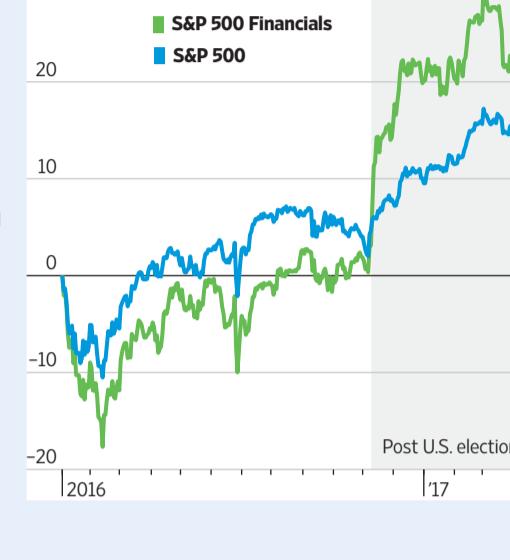
WSJ subscribers can get **The Daily Shot**—a chart-by-chart briefing on markets and economics—sent to their email each morning. Subscribe at wsj.com/newsletters

Anticipating surging economic growth, inflation and bond yields as a result of presumed Trump administration policy shifts, investors initially sent stocks and commodities higher and sold bonds. But lately the winds have shifted, with rallying bond prices pushing yields down and many industrial commodities and stocks—notably bank stocks—retreating alongside inflation expectations. Some indicators have returned to pre-election levels.

The reversals are especially sharp in the narrower 'Trump trade,' in which investors bought supposedly favored assets such as Russian stocks and smaller U.S. firms and sold putative administration targets such as the Mexican peso and consumer-staple stocks. Some say the larger bullish narrative remains intact, but spring shows the markets are in a 'show-me' mood.

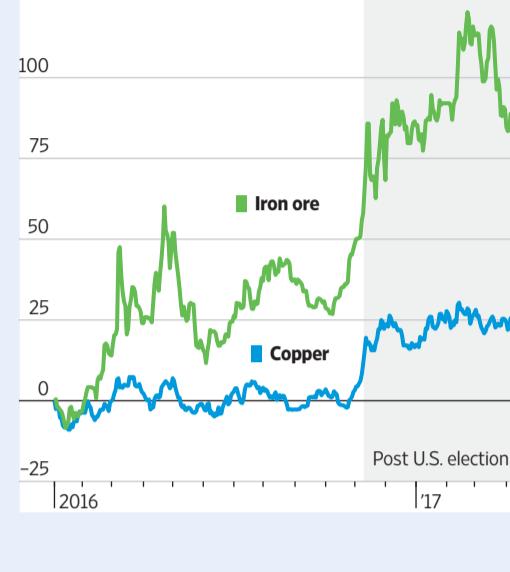
Financial sector and the broader market

Change from 2015



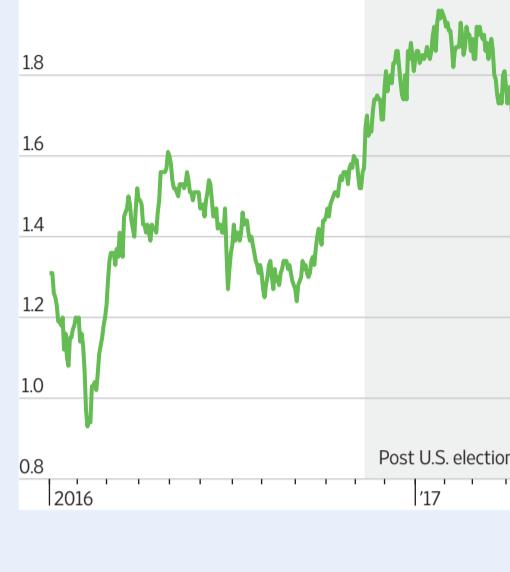
Commodities

Change from 2015



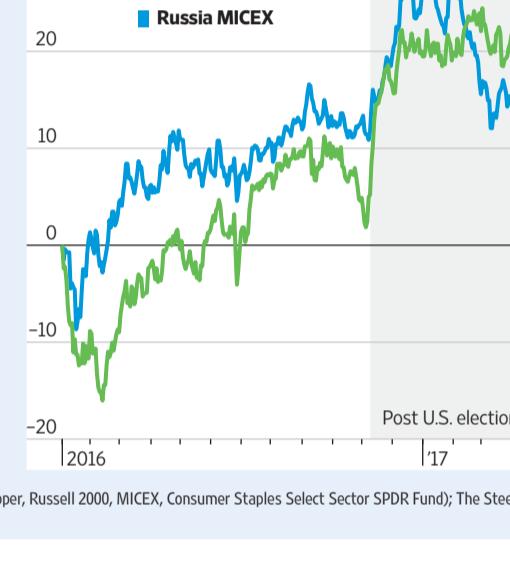
Five-year breakeven inflation rate

Change from 2015



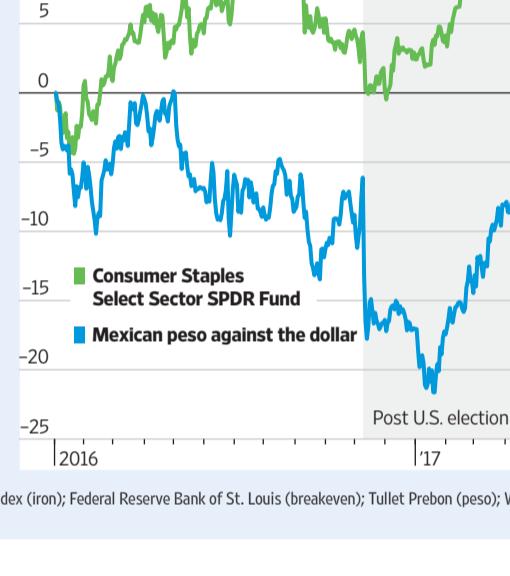
Russian stocks and small U.S. firms

Change from 2015



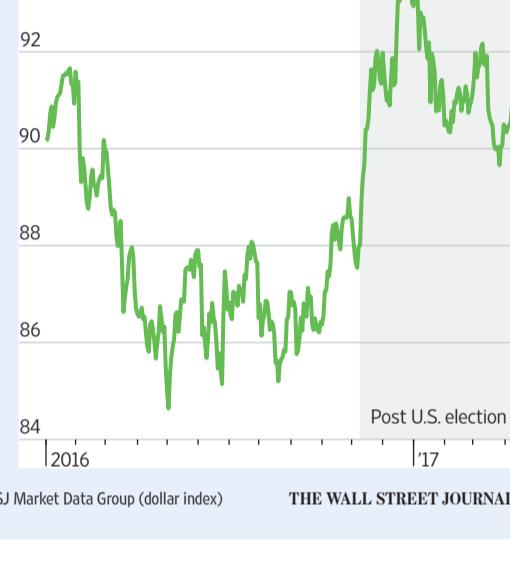
Mexican peso and consumer staples

Change from 2015



WSJ Dollar Index

Change from 2015



Sources: FactSet (S&P 500, S&P 500 Financials, copper, Russell 2000, MICEX, Consumer Staples Select Sector SPDR Fund); The Steel Index (iron); Federal Reserve Bank of St. Louis (breakeven); Tullet Prebon (peso); WSJ Market Data Group (dollar index)

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FINANCIAL ANALYSIS & COMMENTARY

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FCC Shift Might Not Change a Lot

As Good as It Gets for AMD Stock?

OVERHEARD

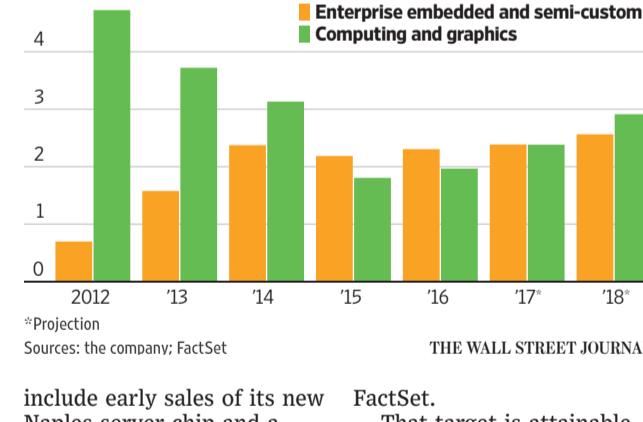
Advanced Micro Devices seems poised to have a good year. And it really, really needs to.

The sometimes troubled chip maker has spent the past couple of years improving its finances and preparing many new processors that are now hitting the market. The early buzz on those products has been strong enough to drive AMD's market value up more than fourfold in the past 12 months. While the stock has come down about 19% from its peak in February, the shares are still trading at a price AMD hasn't sustained in nearly a decade—which is around 154 times forward earnings.

That puts a big bill on the chip maker. AMD reports its first-quarter results on May 1. That will include about one month of its new Ryzen 7 processor designed for high-end personal computers. More important, the company's outlook for the second quarter also should

Bit by Bit

Advanced Micro Devices' revenue by segment



cloud service operators Amazon, Google and Microsoft—are hungry for an alternative to Intel, which controls about 99% of the market.

But the bigger question is: What happens next? Historically speaking, AMD's problem has been its ability to compete with the marketing and financial muscle of its much bigger rivals. So the worry is that any share gains this year will evaporate as they have in the past when Intel and Nvidia cut prices.

That is a big risk—one that Goldman Sachs cited

when it downgraded AMD to a sell rating earlier this month.

On the other hand, today's server market in particular may be less sensitive to pricing pressure, as big cloud operators prize performance above all.

That could help AMD both mount its comeback and make it stick.

Its main problem right now is that investors have priced in both outcomes already.

—Dan Gallagher

include early sales of its new Naples server chip and a graphics processor called Vega, both of which begin shipping during the quarter.

Analysts are expecting big improvements in its computing and graphics segment following several years of declines. Revenue in that segment is expected to jump 21% this year, according to

FactSet.

That target is attainable, especially considering that AMD has less than 10% share in the PC central processor market and essentially nothing in servers, according to Mercury Research. So nowhere to go but up. And the server business in particular should be helped by the fact that big customers there—

Investors can miss quite a bit on a three-day weekend.

Baxter International said in a securities filing Friday that one of the company's employees received a grand jury subpoena prepared by the U.S. Department of Justice earlier this week. Baxter had previously disclosed a separate antitrust investigation by the New York Attorney General's office.

The medical-supplies company said the new subpoena, which is "pursuant to a criminal investigation," calls for the employee to produce documents and testimony regarding, among other things, pricing and shortages of intravenous solutions "and communications with competitors regarding the same."

Revenue in the company's fluid-systems segment was \$2.3 billion last year, slightly more than one-quarter of total sales. Baxter said in the filing that it is cooperating with the new investigation.

Don't Write Off Comcast's Wireless Ambitions Just Yet

for the combined company.

Meanwhile, the airwaves bought by Comcast could help it get more of a say in shaping wireless policy or help it strike a more favorable network-sharing deal with a wireless carrier, according to Jonathan Chaplin of New Street Research.

And even if Comcast fails to buy a wireless carrier, it could make money on its spectrum. The last time the company bought spectrum as part of a group of cable peers in 2006, it made a sizable gain upon selling it to Verizon in 2011.

Comcast's wireless plans may still be very much alive. Investors shouldn't underestimate its chances of success.

—Miriam Gottfried

Deal making in the wireless business is getting a green light, and investors are watching to see whether **Comcast Corp.** will join the race.

The cable giant said

Thursday it paid \$1.7 billion for wireless spectrum licenses in the U.S. government's auction of broadcast airwaves, making it the third largest bidder after **T-Mobile US Inc.** and **Dish Network Corp.**

The announcement came just a week after Comcast unveiled the details of its Xfinity Mobile wireless service, which it plans to

market only to its existing customers.

Comcast's spectrum purchase is smaller than the \$4 billion or so that many analysts had been forecasting.

Companies are also savvy enough not to raise prices right after the rules change. And there is the risk that a future Democratic administration will change the rules again. Investors shouldn't celebrate too loudly about looser net-neutrality rules.

—Miriam Gottfried

Wireless Calling

Amount spent on spectrum in the FCC's auction, in billions



Source: Federal Communications Commission

But it doesn't quell speculation that Comcast may want a bigger piece of the wireless business.

The auction rules prevent companies in the industry from talking to each other until 10 days after the announcement of the auction results. That has meant deal

talks have been on hold for more than a year.

Comcast has positioned Xfinity Mobile, which will run on Verizon Communications Inc.'s cellular network, as a way to help it retain existing customers. Comcast has said it doesn't need to own its own network to be successful in wireless. But the broader strategy at Comcast and rivals such as AT&T has been moving

toward the convergence of TV distribution, TV content, fixed broadband service and wireless service. And history suggests Comcast can't reap the biggest benefits of the wireless business without owner's economics.

If Comcast is truly serious about getting into wireless,

it likely will need to purchase an existing player such as T-Mobile, Sprint or even Verizon. T-Mobile spent \$8 billion on spectrum in the auction. If Comcast were planning to bid for it, it may have decided it wasn't worth paying for additional spectrum in the auction.

Comcast may also not be in a hurry to act. Sprint is likely to try again soon to merge with T-Mobile in the hopes that a deal will have better chances under a Republican administration.

Dish Network may also be interested in a combination with T-Mobile. If a deal between T-Mobile and Sprint is rejected, Comcast could pick up one of the pieces without as much competition.

If it is approved, Comcast could bid

THE FUTURE OF CITIES

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Monday, April 17, 2017 | R1



The Rise of the Smart City

Officials are tapping all kinds of data to make their cities safer, healthier and more efficient, in what may be the start of a sweeping change in how cities are run

BY MICHAEL TOTTY

CITIES HAVE A WAY TO GO BEFORE THEY CAN be considered geniuses. But they're getting smart pretty fast.

In just the past few years, mayors and other officials in cities across the country have begun to draw on the reams of data at their disposal—about income, burglaries, traffic, fires, illnesses, parking citations and more—to tackle many of the problems of urban life. Whether it's making it easier for residents to find parking places, or guiding health inspectors to high-risk restaurants or giving smoke alarms to the households that are most likely to suffer fatal fires, big-data technologies are beginning to transform the way cities work.

Cities have just scratched the surface in using data to improve operations, but big changes are already under way in leading smart cities, says Stephen Goldsmith, a professor of government and director of the Innovations in Government Program at the Harvard Kennedy School. "In terms of city governance, we are at one of the most consequential periods in the last century," he says.

Although cities have been using data in various forms for decades, the modern practice of civic analytics has only begun to take off in the past few years, thanks to a host of technological changes. Among them: the growth of cloud computing, which dramatically lowers the costs of storing information; new developments in machine learning, which put advanced analytical tools in the hands of city officials; the Internet of Things and the rise of inexpensive sensors that can track a vast array of information such as gunshots, traffic or air pollution; and the widespread use of smartphone apps and mobile devices that enable citizens and city workers alike to monitor problems and feed information about them back to city hall.

All this data collection raises understandable privacy concerns. Most cities have policies designed to safeguard citizen privacy and prevent the release of information that might identify any one individual.

In theory, anyway. In reality, even when publicly available data is stripped of personally identifiable information, tech-savvy users can combine it with other data sets to figure out an awful lot of information about any individual. Widespread use of sensors and video can also present privacy risks unless precautions are taken. The technology "is forcing cities to confront questions of privacy that they haven't had to confront before," says Ben Green, a fellow at

deaths in building fires in 2015, the latest year for which data is available. The presence of smoke alarms is critical in preventing these deaths; the National Fire Protection Association, a nonprofit standards group, says a working fire alarm cuts the risk of dying in a home fire in half.

New Orleans, like most cities, has a program run by its Fire Department to distribute smoke detectors. But until recently, the program relied on residents to request an alarm. After a fire in which five people—three children, their mother and grandmother—perished, the department started looking for a way to make sure that they were getting alarms into homes where they could make a difference.

Oliver Wise, director of the city's Office of Performance and Accountability, had his data team tap two Census Bureau surveys to identify city blocks most likely to contain homes without smoke detectors and at the greatest risk for fire fatalities—those with young children or the elderly. They then used other data to zero in on neighborhoods with a history of house fires. Using advanced machine-learning techniques, Mr. Wise's office produced a map that showed those blocks where fire deaths were most likely to occur and where the Fire Department could target its smoke-detector distribution.

Since the data program began in early 2015, the department has installed about 18,000 smoke detectors, says Tim McConnell, chief of the New Orleans Fire Department. That compares with no more than 800 detectors a year under the older program. It is too early to tell how effective it has been at preventing fire deaths, Chief McConnell says, since they are so rare. But the program did have an early, notable success.

A few months after the program began, firefighters responded to a call in Central New Orleans. Arriving, the fire crew found three families—11 people in all—huddled on the lawn. The residents had been alerted by smoke detectors recently installed under the outreach program.

"That was just one of those stories where you go, Please turn to the next page



STATE OF THE STREETS This online map tracks the progress of Los Angeles's Clean Streets program. Green means 'clean,' yellow 'somewhat clean,' and red 'not clean.'

CLEAN STREETS LA

Harvard's Berkman Klein Center for Internet and Society and lead author of a recent report on open-data privacy.

Still, cities are moving ahead, finding more ways to use the considerable amounts of data at their disposal. Here's a look at some of the ways the information revolution is changing the way cities are run—and the lives of its residents.

SPOTTING POTENTIAL PROBLEMS... BEFORE THEY OCCUR

Perhaps the most innovative way cities are employing data is to anticipate problems.

Consider the risk of death by fire. Although declining nationally, there still were 2,685 civilian

INSIDE

When Robots Take to the Sidewalks

Startups test machines to carry your stuff from here to there

R2

Views From Above Inform Decisions Below

By combining digital and aerial technology, cities can get new perspectives on old problems

R3

As Its Population Falls, Detroit Adjusts

Plans for all that empty space

R4



Flying Taxis? A Hyperloop? Dubai Is Thinking Big

Gulf city aims to be a center of innovation in transportation

R6

A New Look for Urban Utility Structures

Cities get creative as eyesores become harder to hide

R6

What It's Like to Live in The Future

Vancouverites see their city double as Hollywood's top sci-fi setting

R7



Where Shoppers Are Headed

Warehouses are becoming the retail hub for city dwellers

R7

Why a City Needs a Brand

Greg Clark on the global battle for people, business and events

R8

AT WSJ.COM/LEADERSHIPREPORT The Arts as Development Tool

At Luxury Stores, It Isn't Shopping, It's an Experience

The C-Suite Comes to City Hall

JOURNAL REPORT | THE FUTURE OF CITIES

When Robots Take to the Sidewalks

Startups in San Francisco and elsewhere test machines to haul your stuff from here to there

BY ERICA E. PHILLIPS

SAN FRANCISCO—On a sunny day here in the residential Potrero Hill neighborhood, a 3-foot-tall robot named Scrappy went out for a stroll.

Box-shaped, mounted on four rubber wheels and outfitted with a high-tech array of sensors and cameras, Scrappy is part of a team of robots surveying the sidewalk landscape for **Marble**, a robotics startup here. For now, the robots are taking their walks with Marble executives or employees. Within a year, the company aims to have the majority of San Francisco's sidewalks three-dimensionally mapped—allowing its small fleet to autonomously navigate the city, carrying everything from groceries to takeout, dry-cleaning and prescriptions to and from homes and businesses.

As Scrappy rolled around Jackson Playground, most of the park's patrons and passersby—human and canine—ignored the humble robot. But Kathy Piziali was intrigued.

"We've never run into a real robot before," said Ms. Piziali, who was taking her 3-year-old grandson to the playground.

Marble Chief Executive Matt Delaney imagines a future where few people will be able

to say that: Delivery robots will eliminate the need for many of the cars, trucks and vans on streets today, allowing cities to carve out much more space for pedestrians—many of whom will have their own personal robots in tow to carry things for them.

That vision might not fully come about for another generation or so, Mr. Delaney says, but he—like other entrepreneurs testing sidewalk robots in cities around the world—believes robots will be a common sight on city streets within a decade.

"This is what we've all been seeing in the science-fiction movies we watched growing up," says Siddharth Vanchinathan, co-founder of **PropelLand**, a San Francisco-based technology and design firm.

Meeting the public

Other robot makers include **Dispatch**, also based in the San Francisco Bay Area; **Starship Technologies**, with headquarters in London and engineering based in Estonia; and **Piaggio Fast Forward**, a division of Italy's **Piaggio** SpA, known as the maker of Vespa scooters. Generally the companies say they plan to offer their robots for hire, rather than selling them outright, and for now they decline to disclose what



Starship Technologies has tested its delivery robot in more than 50 cities.

they would cost to purchase.

The robots are all essentially caddies on wheels, roughly the size of a laundry basket or two, big enough to carry small parcels and small enough to allow pedestrians to walk by. With tracking systems and cameras on all sides, they wouldn't necessarily be a target for thieves, developers say,

because it would immediately be clear who took them and where they were headed.

The early designs are made for short trips carrying packages weighing up to 30 pounds or so. And while the robots aren't anything like humanoid, there's something undeniably captivating about them—particularly at first sight.

During a lunch-hour test run in Redwood City, Calif., last month, a Starship robot turned dozens of heads in a span of less than four blocks. Several people snapped pictures with their cellphones, and a few spoke directly to the robot.

"Lookin' good!" one young man said as he walked by.

"Come back here, you!" another man joked as the robot sallied forth at about 4 miles an hour.

But if you ask Henry Harris-Burland, marketing chief for Starship, that kind of attention is becoming increasingly rare. The firm has tested its robots in more than 50 cities. In one recent London outing on a busy day, Mr. Harris-Burland

says, "60% to 70% of people completely ignored the robot—I was quite offended!"

Kinks and skeptics

Developers and engineers say there might be a few kinks to work through as cities figure out legal parameters for robot use and robot makers tackle the many challenges city streets present. Programmers are still finessing the complexities of crossing the street, for example.

For now, many of the delivery robots can't enter buildings—dealing with the many types and sizes of doors and how to get through them is too big a challenge at this point. So one might see small crowds of

them waiting outside offices or apartment complexes at busy times of day. One idea developers have discussed is a separate elevator for robots in the highest-density buildings, but that's out of their hands.

There are skeptics. "I'm not sure what pressing problem these robots are supposed to solve for us," says Michael Manville, an urban-planning professor at the University of California, Los Angeles. "Do we seriously have a problem where people can't move stuff down sidewalks?" If the purpose is to ease traffic congestion, Mr. Manville says, cities could better accomplish that by charging for the use of certain busy roads, improving bicycle lanes, enacting a gas tax, or all of the above.

"I hate to think that excitement over what this technology could do would displace energy that could be used to employ existing and proven, albeit less exciting, ways to improve our cities," he says.

But developers are pressing ahead. Piaggio has several tests planned beginning later this year. Starship has parcel and takeout-delivery pilot programs going in several cities. And last week Marble announced the launch of a food-delivery partnership with Yelp's Eat24 delivery service in San Francisco.

"The thing we can't wait for is for it to be kind of commonplace," Mr. Delaney says. "It'd be an easier world if everything was just robots."

Ms. Phillips is a Wall Street Journal reporter in Los Angeles. She can be reached at erica.phillips@wsj.com.

Continued from the prior page
"This works," Chief McConnell says. "For us, it's a game changer."

Predictive analytics have also been used to improve restaurant health inspections in Chicago. The Department of Public Health relies on about three dozen inspectors to check for possible violations at more than 15,000 food establishments across the city. It needed a better way to prioritize inspections to make sure that places with potential critical violations—those that carry the greatest risk for the spread of food-borne illness—were examined before someone actually became sick.

The data team in the city's Department of Innovation and Technology developed an algorithm that looked at 11 variables, including whether the restaurant had previous violations, how long it has been in business (the longer, the better), the weather (violations are more likely when it's hot), even stats about nearby burglaries (which tells something about the neighborhood, though analysts aren't sure what).

With the tool, the health department could identify establishments that were most likely to have problems and move them up the list for inspection. After the algorithm went into use in 2015, a follow-up analysis found that inspectors were visiting restaurants with possible critical violations seven days sooner than before. Since then, its use has resulted in a 15% rise in the number of critical violations found, though the number of illness complaints—an imperfect measure of violations—has been flat.

SENSORS ON EVERYTHING

Just as individuals are flocking to Fitbits and other wearables to monitor their health, cities, too, are turning to sensors to track their own vital signs. Through this Internet of Things, sensor-equipped water pipes can identify leaks, electric meters can track power use, and parking meters can automatically flag violations.

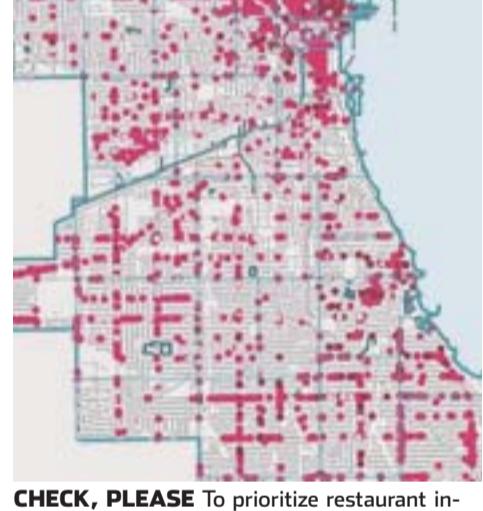
As part of a smart-city initiative, Kansas City, Mo., has installed computer-equipped sensors on streetlights along a 2.2-mile light-rail line that opened in March of last year. The city uses video from the sensors to gather information about traffic and available street parking along the corridor. The data is then made available on a public website that shows the location of streetcars, areas where traffic is moving slowly, and locations with open parking spots. It also provides an hourly traffic count in the corridor for the past day.

The sensors can even count foot traffic, which could assist entrepreneurs looking to open a new coffee shop or retail outlet, and help city officials estimate the size of crowds, which is useful in responding to public disturbances or in assigning cleanup crews after events like the city's 2015 World Series parade. Their ability to detect motion also can be used to adjust the LED streetlights so that they dim if no one is around and automatically brighten if cars or pedestrians pass by. The goal is to use data to "improve our efficiency of service and ascertain what services we ought to be providing," says Bob Bennett, Kansas City's chief innovation officer.

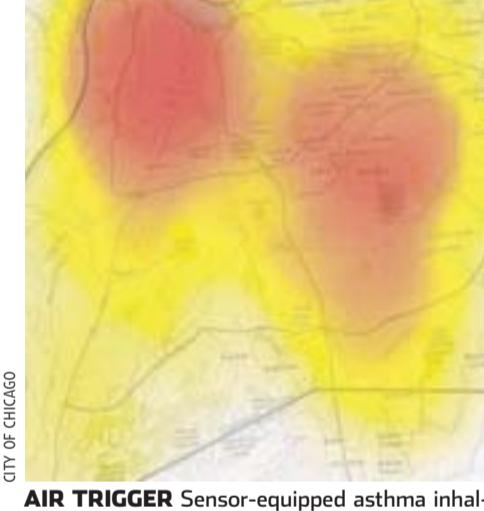
Cities are also putting sensors in the hands of citizens. In Louisville, Ky., a coalition of public, private and philanthropic organizations has provided more than 1,000 sensor-equipped inhalers to asthma sufferers to map where in the city poor air quality is triggering breathing problems. The tiny sensors, from Propeller Health, a Madison, Wis., medical-device company, have built-in GPS that collects time and location data with each puff of the inhaler.

The city is still completing its analysis of the data, but early findings were impressive, says Grace Simrall, Louisville's chief of civic innovation. For one thing, patients in the program saw measurable improvement, in part by

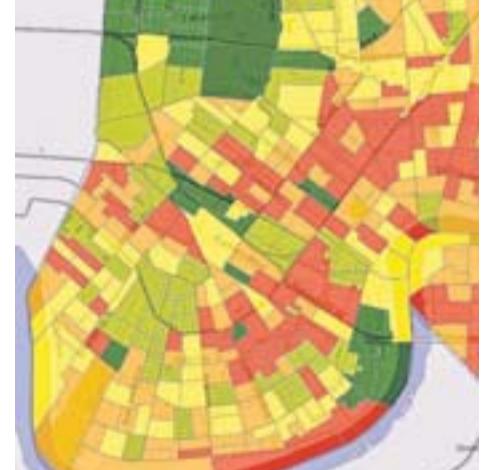
The Rise of the Smart City



CHECK, PLEASE To prioritize restaurant inspections, Chicago developed an algorithm to identify eateries most likely to have violations. The darker the pink, the higher the likelihood.



AIR TRIGGER Sensor-equipped asthma inhalers in Louisville that collect data on time and place of use have improved care for individuals and helped the city address problem areas.



FIRE RISK With census and other data, New Orleans mapped the combined risk of missing smoke alarms and fire deaths, helping officials target distribution of smoke detectors.



PARK HERE In Kansas City, Mo., sensors on streetlights along a new light-rail line gather information about traffic and available parking that the public can view online.

giving them a better understanding of their disease, and their physicians more information to devise treatment plans. And as expected, the data made it possible to show clusters of inhaler use and link it with air pollution.

In one case, sensor data spotlighted a congested road on the east side of town where inhaler use was three times as high as in other parts of the city. In response, the city planted a belt of trees separating the road from a nearby residential neighborhood; the plantings have resulted in a 60% reduction in particulate matter (which can aggravate breathing problems) behind the green belt.

CITIZENS AS DATA COLLECTORS

Using the public as data collectors isn't new—it's the idea behind 911 and 311 systems. But smartphone apps, in the hands of residents

and city workers, give cities new and more powerful ways to expand their data-collection efforts.

In Mobile, Ala., building-code inspectors armed with smartphones and Facebook Inc.'s Instagram photo-sharing app were able to inventory the city's 1,200 blighted properties in just eight days—a task that enforcement officers had previously considered impossible with the older paper-based systems of tracking blight. With Instagram, inspectors could snap a photo of a property and have it appear on a map, showing officials where dilapidated, abandoned or other problem properties are clustered.

The inventory was just the first step. Mobile's two-year-old Innovation Team, funded with a grant from Bloomberg Philanthropies, cross-referenced the data with other available property information—tax records, landmark status, out-of-state ownership—to compile a "blight index," a master profile of every prob-

lem property in the city. This made it possible to identify which property owners might need assistance in rehabbing their properties and which ones to cite for code violations. The city is wrapping up a second survey of blighted properties to measure the net change over the past year, says Jeff Carter, Innovation Team's executive director. "Instagram was phase one, and we would never have made it to phase two without it," Mr. Carter says.

Mobile data collection is also helping Los Angeles to clean up city streets. Teams from the city sanitation department use video and smartphones to document illegal dumping, abandoned bulky items and other trash problems. The teams can use an app to report problems needing immediate attention, but what was really noteworthy—especially for a city the size of L.A.—was that they were able to view and grade all 22,000 miles of the city's streets and alleyways.

The result has been to give officials and the public a better picture of garbage-plagued areas that can be targeted under Mayor Eric Garcetti's Clean Streets program. Data collected by the mobile teams is compiled in a detailed map of the city, with each street segment rated as being clean, somewhat clean and not clean. The city publishes the map online so that anyone can get a color-coded view of how streets rank for cleanliness.

The program, which recently finished its first full year, has resulted in an 80% reduction in the number of areas scored "not clean," says Lilian Coral, Los Angeles's chief data officer. The new data-driven approach not only has made it possible to better identify problem areas, Ms. Coral says, but it also has helped to reduce disparities in the city's cleanup efforts, which previously depended mainly on complaints to identify locations needing attention.

In Boston, meanwhile, the city has joined with Waze, a navigation app from Google that enables drivers to share traffic and road conditions in real time.

The Boston traffic-management center uses Waze data to supplement live feeds from its network of traffic cameras and sensors, getting a more detailed picture of what's happening on city streets. Messages from Waze users can alert the center to traffic problems—a double-parked truck or a fender-bender—as soon as they develop, allowing officials to respond more quickly.

Waze data also has helped the city to run low-cost experiments on possible traffic changes. For instance, to test how to best enforce "don't block the box" at congested intersections, the center took more than 20 problem intersections and assigned each one either a changing message sign, a police officer or no intervention at all. Using Waze data, analysts would then see which enforcement approach was most effective at reducing congestion. As it turns out, Waze's traffic-jam data didn't show that either approach made much difference in reducing congestion (which may reinforce the view of those who believe little can be done to eliminate traffic headaches).

The partnership, one of 250 that Waze has signed with cities around the world, also enables the city to feed street-closure and similar information into the Waze app, making it easier for drivers to reroute trips before they get stuck in traffic.

"When residents see a problem, sometimes their reaction is to call us, but more these days their instinct is to report it through an app like Waze or Yelp," says Andrew Therriault, Boston's chief data officer. "To be as responsive as possible to the public's needs, we need to listen to their input through whichever medium they choose to share it."

Mr. Totty, a former news editor for *The Journal Report* in San Francisco, can be reached at reports@wsj.com.

Views From Above Inform Decisions Below

By combining digital and aerial technology, cities can get new perspectives on old problems

BY HANNAH FURFARO

IN DOZENS of urban centers across the globe, city planners are putting eyes in the sky to help them make more-informed decisions about improving city life.

Using advanced technology in digital aerial photography, laser imaging and analytics, cities are tackling a wide variety of problems. Singapore has created a 3-D cityscape to help make decisions about where to place solar panels and plant rooftop gardens, among other things. New York City firefighters are using drones to get better overhead views during fires. In Philadelphia, lasers beamed from airplanes are used to detect dangerous roof damage in dilapidated properties. Baltimore police have used airborne surveillance to fight crime.

It all amounts to an extension of the efforts cities are making on the ground to collect, analyze and put to use huge amounts of data.

Wind, water and sun

More than 3,000 feet above Singapore, an airplane packed with high-tech laser scanners and cameras took 10 days to scan the entire island nation in 2014. The data it collected has since been transformed into a highly accurate, 3-D digital model of every building in Singapore.

The lasers were able to scan through objects like tree-tops to provide a more accurate picture of how roads wind around the city and exactly where the bottoms of buildings meet sidewalks, a level of detail that satellite images can't provide.

With that information at their disposal, city planners

can simulate with far greater precision than before how wind or water will flow across streets and against buildings and other structures. That allows them to create models of how extreme weather will affect every part of the city, so they can plan accordingly.

Another benefit of this project: Knowing exactly how shadows are cast by buildings shows which ones are likely to have the most success with a rooftop or vertical garden—an important consideration for a city that keeps building upward, since it has little space to expand outward.

Such mapping is also critical for the nation's renewable-energy planning. "If you have the whole city, you will know over a period of time exactly how much sunlight you will harness from the rooftops" with solar panels, says Victor Khoo, deputy director of the land survey division at the Singapore Land Authority.

Singapore, like any major city, isn't static—it's constantly changing structurally. That means the data that created the current 3-D map won't be accurate for long. "In Singapore, development is very, very fast," Mr. Khoo says. It's impossible to keep up in real time, but he says he hopes to be able to update the map every four years.

A new kind of firefighter

In New York, city officials recently made public a 3-D map, similar to Singapore's, created from aerial photos taken from a plane in 2014. City agencies now will be able to use the map when making construction or other planning decisions, and because the data is publicly available, it could be used by anyone to suggest innovative ideas. This



The New York Fire Department uses a drone to detect hot spots in building fires.

is "critically important data that the city and the public can use to make New York even stronger," says Anne Roest, commissioner of the city's Department of Information Technology and Telecommunications.

Meanwhile, the New York City Fire Department is taking to the air with a drone to help fight fires. The department this year bought an \$85,000 drone equipped with high-definition and infrared video cameras to use during major fires.

The 8-pound, fire-engine-red device is attached to a tether that feeds it power, so battery life isn't an issue, and transmits commands to the drone as well as carrying the video back to the ground, so there's no chance of any interference with those signals. It can fly as high as 200 feet, or between 16 and 20 stories. It's an alternative to sending firefighters to the roofs of nearby buildings to shoot video and send it down to their chief.

In addition to giving commanders a close-up view of the roof and upper reaches of a building in flames, the drone

shoots infrared video that shows where the fire is spreading throughout the building. "We can see hot spots that might not otherwise be visible," says Timothy Herlocker, director of the fire department's Operations Center.

Mr. Herlocker says the drone helps fire commanders decide how to deploy firefighters most effectively and safely. "When you're making rapid decisions it's very valuable," he says.

Building inspection

In Philadelphia, officials are using aerial lasers to spot buildings that need to be torn down.

The city's Department of Licenses and Inspections is using lasers on planes to help identify abandoned properties with roofs that are sagging or have holes. Such damage isn't apparent, of course, from street level. And the laser images, with their precise modeling of any undulations in a roof's surface, can identify weak spots that wouldn't be obvious using standard aerial photography.

Philadelphia tears down an estimated 500 to 600 abandoned buildings a year, says Karen Guss, communications director for the Department of Licenses and Inspections. Pinpointing which roofs are damaged helps the department decide which buildings need to be demolished first.

A damaged roof exposes the building to the city's often harsh weather, making it more likely to collapse. "It's really hellish on these buildings," Ms. Guss says.

Privacy questions

Aerial surveillance has sparked controversy in Baltimore, where a pilot program last year helped police track the movements of people suspected of committing crimes.

Cameras mounted on a small plane shot footage of the city below for a total of 300 hours over a period of more than eight months. The cameras captured low-resolution images of cars and other objects, so they could, for example, show a suspected getaway car turning left down an alley or parking near a victim's home before a crime.

The aerial images couldn't be used to identify people, but police were able to use them along with images from the city's 800-plus street-level video cameras to retrace the path of suspected criminals leaving the scenes of crimes. T.J. Smith, chief of media relations for the Baltimore Police Department, says the aerial surveillance helped police in their investigations of murders, nonfatal shootings and other crimes.

The pilot program, which was funded by a private grant and operated by a private fleet of planes contracted by the city, wasn't made public until there were media reports about the program several months after it began. That revelation drew sharp criticism from civil-rights and privacy groups, which objected to people's everyday movements being recorded without their knowledge.

Mr. Smith says the aerial footage doesn't violate privacy laws. The pilot program ended last fall, but the Police Department is considering using the surveillance again, according to a review of the program completed in January.

A long fascination

Together, these efforts and others like them represent the evolution of an interest in the bird's-eye view that goes back to the days of hot-air balloons.

David Rumsey has collected more than 150,000 maps and related images that he has donated to Stanford University. Among them is a set of aerial photos of San Francisco taken from a plane in 1938. Looking at them now, it's easy to see how the city has changed. Looking at today's aerial images, it's getting easier to envision how cities might be different decades from now.

In these new maps, there's "a ton of information when you know how to tease it out," Mr. Rumsey says. "I think that's what the cities are waking up to."

Ms. Furfaro, a writer in New York, can be reached at reports@wsj.com.

NEW TOOL LETS CITIES SEE WHERE TREES ARE NEEDED

Cities that want to plant more trees along their streets have a new planning tool at their disposal.

It's called Treepedia, an online tool that analyzes millions of neighborhood photos from Google Street View to create block-by-block maps of cities around the world showing where there are trees and where streets are bare.

Treepedia, launched by the Massachusetts Institute of Technology's Senseable City Lab in December, so far has created tree maps of 19 cities across five continents, from New York to São Paulo, Paris, Singapore and Sydney. It doesn't yet cover any city in Africa.

Users can look at an overview of each city dotted in shades of brown and green to show where trees are few or frequent, and they can zoom in to see ground-level images if they want to see exactly which blocks need greening.

"Street greenery is a really important part of the urban environment," says Xiaojiang Li, a postdoctoral fellow at MIT who helped develop Treepedia's Green View Index, a measure of the tree coverage in a city overall and in any area within the city that a user wants to examine.

Trees provide shade for pedestrians in the summer and help to lower urban temperatures, Mr. Li says. They also help prevent water runoff during heavy rain and clean the air.

Who's greenest?

The MIT team used the Google photos instead of satellite imagery to "really measure how much greenery people might see" as they move around a city's streets, Mr. Li says. Treepedia's Green View Index doesn't take city parks into account for that same reason.

That's partly why Paris ranks lowest for tree coverage among the cities mapped so far despite its many large parks. The mean index score for

city's streets is just 8.8%.

Singapore has the highest median index score so far, at 29.3%, and Sydney and Vancouver are the only other cities with scores above 25%.

Of the six U.S. cities that have been mapped, Sacramento, Calif., has the highest median index score, at 23.6%, followed by Seattle at 20% and then Miami at 19.4%.

Boston scored 18.2%, Los Angeles 15.2% and New York 13.5%.

Filling a gap

Miami is one example of a city that has made growing more trees in its metropolitan area a priority, in its case focusing on storm-resistant species to limit the damage from hurricanes and other severe weather. To boost its effort, the city now requires developers who remove trees during building construction to pay into a city trust fund, money that's used in part to plant new trees.

The project has gained momentum as the city has educated developers, the public and its own departments about the importance of trees, says Luciana Gonzalez, assistant director for Miami's planning and zoning department.

But she says, while the city has yet to formally evaluate how it could put Treepedia to use, she believes it "would help us tremendously" because Miami doesn't have the resources to do the kind of detailed data collection on its own that the tool provides.

If that lack of resources is a problem for cities in the richest countries, it is even more so for those in the developing world. Treepedia may help level the playing field in that regard as it continues to map cities around the world, says Alice Charles, leader of the World Economic Forum's Cities and Urban Development team, who helped develop the Treepedia concept.

—Hannah Furfaro

As Its Population Falls, Detroit Adjusts

The city is trying several solutions to deal with empty land

BY ADRIENNE ROBERTS

DETROIT IS A PARADOX. It has a resurgent downtown core, where apartments and condominiums are in high demand, and trendy restaurants and coffee shops sprout up weekly. Many miles outside the city are prosperous suburbs, often with their own downtown centers.

Yet in between those bright spots, the city has about 132 square miles of land with neighborhoods that have been gradually emptying out.

Detroit is one of a number of U.S. cities—along with Cleveland, Dayton, Toledo, Philadelphia and Baltimore—that are seeing a major depopulation. While the cores of these cities are holding their own because of private investments, many neighborhoods around them are nearly abandoned as residents continue to move to the suburbs.

Now a number of initiatives are under way to deal with Detroit's empty land, restore blighted neighborhoods and link the islands of neighborhoods that are left. The variety of efforts shows the complexity of the task. It's not just giving people up-to-date places to live and work. It's re-envisioning the city and making it desirable by creating parkland, generating job opportunities and attracting entrepreneurs.

Here are a handful of Detroit's solutions to filling vacant space:

1. Entice new residents to stick around. Detroit's downtown core has attracted plenty of young people to rentals, often in redeveloped historic buildings. But experts say the city needs housing options for people at different stages of life—so that young people will stay there as they age and make long-term investments in the community.

Now an effort to offer those kinds of housing options is under way. In a neighborhood checkered with vacant lots and mansions that have seen bet-

ter days, the City Modern project will provide a variety of housing types—townhouses, apartments, carriage homes and more—as well as housing for seniors. Melissa Dittmer, director of architecture and design for Bedrock LLC, the company leading the development, says the initiative just outside of downtown will be a mix of modern structures and renovated historic homes.

2. Landscape lots into gardens. The Fitzgerald neighborhood on Detroit's north-west side has 131 vacant houses and 242 vacant lots.

Those vacant lots don't need to be filled with houses, says Arthur Jemison, director of housing and revitalization for Detroit. The city and its partners will invest more than \$4 million into the neighborhood to renovate 115 homes, landscape 192 vacant lots and create a park with a bicycle path.

"We can't possibly rebuild every vacant lot with new construction," Mr. Jemison says. "The landscape is important, because frankly, if it's done and managed well, it's inexpensive and people like it."

3. Do serious agriculture. RecoveryPark Farms is in the midst of building greenhouses on a 60-acre plot that until recently represented two dozen blighted blocks on Detroit's east side. The aim: creating jobs for people with barriers to

employment, such as ex-offenders and recovering addicts.

CEO Gary Wozniak, who spent more than three years in federal prison, says he decided to start a farm because it offers a career with a lower bar for hiring and gives immediate feedback because "plants grow relatively quickly, so people can start to feel really good about building skill sets. Plus, Detroit has a lot of land." RecoveryPark is already selling produce such as carrots, radishes and golden beets to some of Detroit's top restaurants on a year-round basis.

4. Match empty stores with eager entrepreneurs. How to fill the vacant storefronts along Detroit's half-abandoned commercial corridors? Motor City Match, a partnership between the city of Detroit and other economic-development organizations, links selected landlords with new small businesses, whether local ones or outside entrepreneurs looking to start businesses in Detroit. The city and its partners will invest more than \$4 million into the neighborhood to renovate 115 homes, landscape 192 vacant lots and create a park with a bicycle path.

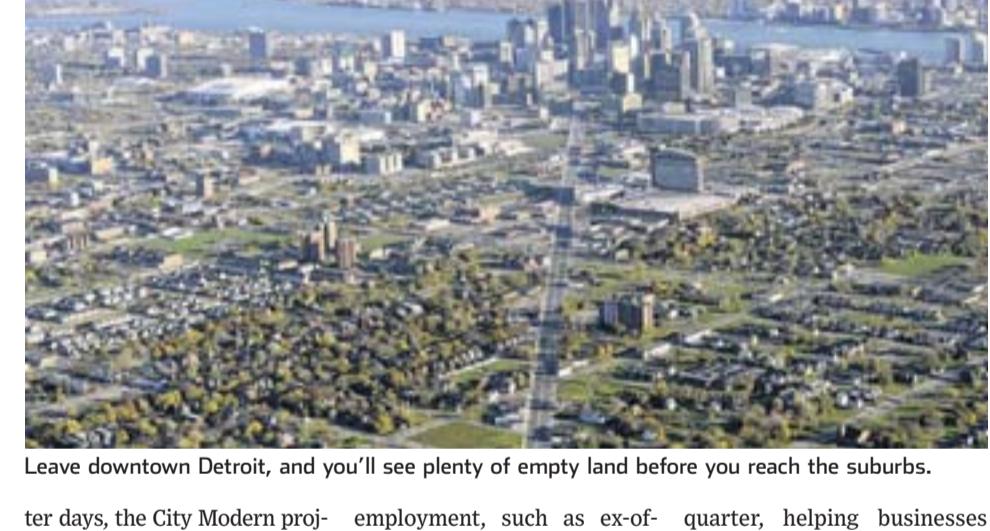
"We can't possibly rebuild every vacant lot with new construction," Mr. Jemison says. "The landscape is important, because frankly, if it's done and managed well, it's inexpensive and people like it."

5. Offer children something to stay for. The definition of success for children in Detroit in many people's minds is being able to leave the city and go to college or get a job elsewhere. Ethan Lowenstein wants to change that. As director of the Southeast Michigan Stewardship Coalition, Mr. Lowenstein is working with educators and local organizations in the region to help young people address environmental challenges in their communities.

Children "leave because they don't see the strength in their community and they don't feel recognized as someone who has knowledge," says Mr. Lowenstein, who advocates "place-based education" to help children improve their neighborhood—and stop the depopulation trend.

Motor City Match "helps get businesses from ideas to open," says Michael Forsyth, director of small-business services at the Detroit Economic Growth Corp., which runs the program for the city. It gives out \$500,000 in grants every

EMILY ROSE BENNETT/MILIVE



Leave downtown Detroit, and you'll see plenty of empty land before you reach the suburbs.

Ms. Roberts is a reporter in The Wall Street Journal's Detroit bureau. Email her at adrienne.roberts@wsj.com.

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Special Advertising Feature

'Reshoring' Aims to Benefit U.S. Cities

REAL-ESTATE SERVICES FIRMS ARE AMONG THOSE WORKING TO BRING AMERICAN BUSINESSES HOME

By Joseph Dobrian

Some American firms that in past years located their manufacturing and services workforce overseas, are now bringing those jobs back to the U.S.—or trying to. Many observers see “reshoring” as a fast and efficient way to strengthen the U.S. economy: by helping to balance the trade and budget deficits; by reducing unemployment through the creation of well-paying manufacturing jobs; by fostering a skilled workforce.

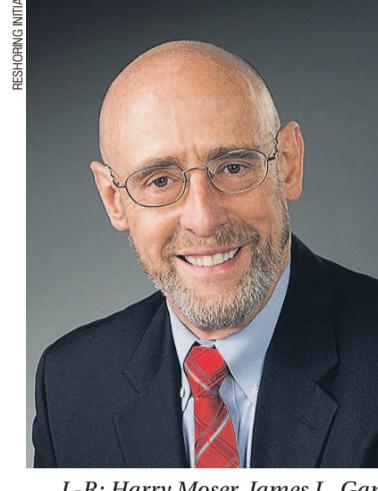
Several U.S. cities have formed economic development corporations with the purpose of bringing American businesses home. Real-estate services firms are building their relocation businesses, helping these companies with site selection and with securing incentives. Industry-led organizations are working to convince manufacturing companies that reshoring could reduce the total cost of their products, improve balance sheets, and make product innovations more effective.

LOCAL PRODUCTION

“The bleeding has stopped,” says the founder of one of these organizations: Harry Moser, former president of machine-tool maker GF AgieCharmilles (now GF Machining Solutions).

“We founded Reshoring Initiative in 2010 to convince manufacturers of the benefits of local production, and to give suppliers the tools to sell against

RESHORING INITIATIVE



L-R: Harry Moser, James L. Gandy and Steve Kozarits are all active supporters of U.S. reshoring initiatives.

CITY OF FRISCO/INNOVATIVE IMAGES



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lower-priced offshore competitors. We saw a surge of reshoring and foreign direct investment (FDI) announcements at the end of 2016 and the beginning of 2017. Some of these announcements appear to have been driven or solidified by the new U.S. administration, he adds.

“THE MORE THE PRODUCT HAS TO BE PERFECT, THE MORE IT WILL COME BACK HERE.”

If the new government fulfills its aims to reduce corporate tax rates and regulations and impose some barriers at the border—such as a value-added tax, or tariffs—the benefits of producing here could increase, Mr. Moser says.

The city of Frisco, Tex., has been

striving for several years to attract reshoring companies, as well as FDI. James L. Gandy, president of the Frisco Economic Development Corp., says his organization promotes the city nationally and internationally.

“We go on marketing missions, sometimes with other cities representing North Texas, sometimes on our own, with a specific itinerary to visit certain industries,” he explains. “We try to attract professional jobs in fields like infotech, financial technology, healthcare, and e-sports gaming.

“Frisco offers a combination of key factors that attract employers. We have a pro-business environment. The cost of doing business in Texas is low; we’re a 30-minute drive from the Dallas-Fort Worth Airport, which gives you access to both coasts and back in the same day; we have a large skilled workforce, especially in the IT sector.”

Many incomers, Mr. Gandy says, choose Frisco because of the quality of its public schools and its wealth of lifestyle amenities. Opportunities abound, he adds, for new retail and hotel developments.

“The line from the movie goes, ‘If you build it, [they] will come,’” he concludes. “We say, ‘Build it—they’re coming.’”

STATE-LEVEL RELOCATIONS

Steve Kozarits, Chicago-based senior vice president at Transwestern, a real-estate services firm, says his company offers various services to employers that are considering relocating to a U.S. city. These relocations, he says, usually start at the state, rather than the municipal, level.

“Some states are recognized in the economic-development and site-selection communities as more aggressive in attracting certain industries,” he says. “They all want to create

high-paying jobs. Some states are better positioned for a certain skill set. For example, maybe an employer recently shut down an automotive or a food-processing plant. Now you have a captive set of employees with skill sets that could attract a new employer. It’s the job of local economic-development corporations to provide their people with employment. If they have laborers with a certain skill set, they’ll market themselves to employers that would like to hire people who need minimal training.

“At Transwestern, we provide intelligence and consulting, including site selection, relocations, and securing economic incentives,” Mr. Kozarits adds.

“We see the biggest reshoring opportunities in transportation equipment, appliances, computers,” Mr. Moser says. Southeastern states are benefiting the most from this trend, he adds, because of their low taxes; Ohio and Michigan are advantaged because companies there have reshored to existing facilities.

“Where the freight cost is high relative to the labor; where the design change is frequent; where there’s intellectual property that you fear losing; where there’s volatility of demand and you might lose orders if you can’t get it turned around fast; that’s the business that’s prime for reshoring,” he says.

“The more the product has to be perfect, the more it will come back here.”

Joseph Dobrian is a freelance writer specializing in real estate.

The Wall Street Journal news organization was not involved in the creation of this content



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JOURNAL REPORT | THE FUTURE OF CITIES

Flying Taxis? A Hyperloop? Dubai Is Thinking Big

The city has lofty goals for being the innovative transportation city of tomorrow



BY NICOLAS PARASIE

DUBAI—Transportation authorities here in the largest city in the United Arab Emirates are working on a novel solution for businesspeople stuck in traffic jams: flying, driverless drone taxis that will swoop in and swiftly take them to their destinations.

Dubai is looking at approving use of an autonomous drone that will carry one passenger short distances. The battery-powered flying taxi—built by Chinese drone maker Ehang Inc.—could be available for booking through an app as soon as this year, depending on how tests go, Dubai's transportation authority says.

The drone taxi has space for one person and a suitcase only. It flies typically at around 60 miles an hour and is linked to a control center on the ground. In case of emergency, the drone will land immediately in the nearest safe space. Dubai's authorities say that they have already examined the drone prototype and that it would be controlled through 4G mobile internet.

"Eventually, the drone will be the method of transport for human beings," says Mohammed al-Gergawi, the United Arab Emirates minister of cabinet affairs and the future. "Science fiction is going to happen," he says.

Testing ground

The drone taxi is part of an ambitious effort by Dubai to be on the cutting edge of new transportation technologies, from passenger drones to a transit system that in theory could travel near the speed of sound. The goal is both to improve connectivity and boost the emirate's growing reputation as a global trade and tourism hub. As Persian Gulf countries facing lower oil revenues struggle to diversify their economies, Dubai hopes to strengthen its credentials as the region's center for finance, tourism and transportation.

"You cannot resist the changes that are going to happen in the future," Mr. Gergawi says. "Either you move and create the future, or it will be imposed on you."

The city already has the Burj Khalifa, the world's tallest building; palm-shaped, artificial islands off its coast; and,



Two Dubai transportation visions:
A Hyperloop from the city to Abu Dhabi, and a flying drone taxi.

HYPERLOOP ONE
EHANG

more recently, a canal that meanders under the city's main highway. It is constructing the world's biggest airport and has started work on a new tower that will exceed the Burj Khalifa in height. The drive to attract transportation innovators may represent a new stage in the emirate's push to grab part of the future for itself.

"There's a transition in Dubai from being consumers of innovation to be producers of innovation," says Hazem Galal, a partner at PwC and the global leader of its consulting business for cities and local governments.

Besides low taxes and an enviable location between East and West, Dubai offers tech companies a business-friendly environment where red tape is limited and regulations can be easily modified for prototypes.

"We decided that we are going to be the world's largest lab," says Mr. Gergawi.

In addition to drone taxis, the emirate plans to test self-driving vehicles. Tesla Inc., whose chief executive, Elon Musk, is a key backer of autonomous technology, launched its electric cars in Dubai earlier this year. Dubai's ruler, Sheikh Mohammed bin Rashid al-Maktoum, has set a target of making a quarter of domestic transport trips smart and driverless by 2030, which could generate \$6 billion a year in savings and economic benefits, Dubai officials say.

Even bigger in scale is the Hyperloop, another vision of Mr. Musk's. Dubai last year announced a deal with Hyperloop One Inc., a company developing Hyperloop technology, to explore linking Dubai with Abu Dhabi in what would be a 12-minute ride averaging 375 mph in pods through low-pressure tubes. Currently the roughly 75-mile trip takes more than an hour by car. Every city in the Gulf region could eventually be reached in less than an hour if a full network is eventually rolled out, Hyperloop One executives say.

"It is an emirate that has a reputation for not only dreaming big but actually making things happen," says Rob Lloyd, chief executive of Hyperloop One. In a sign of Dubai's support for the Hyperloop project, its government-controlled global ports operator, DP World, invested \$50 million in Hyperloop One.

The Hyperloop project is still years away from transporting its first passengers. The company is working with

Dubai's Roads and Transport Authority to explore potential routes and how to integrate it with the emirate's existing transportation infrastructure, which includes mega-airports, eight-lane highways, a metro and tram system. Costs and financing sources are also still under discussion.

Mr. Lloyd says the Hyperloop—a prototype of which is now being tested in the Nevada desert—should be able to endure the Gulf region's hot summer temperatures and sandy conditions, playing down any early concerns about the technology's implementation in the region.

As a center of innovation, though, Dubai still lags behind places such as Silicon Valley, London and Singapore, says Mr. Galal of PwC. Indeed, Dubai's pursuit of technology innovations has at times been born out of necessity, to resolve some of the problems it faces. The city has undergone a drastic transformation in the past few decades as its economy and population boomed. But that growth has also coincided with greater traffic congestion and air pollution.

Fanfare and finance

Ambitious plans have also hit snags. Some projects announced to much fanfare, such as the world's largest mall and another set of artificial islands, have suffered delays or were stalled in the absence of financing. A proposed Persian Gulf-wide railway project has been put on hold as well.

In neighboring Abu Dhabi, Masdar City was designed to become the world's first carbon-neutral city. Plans there also called for a driverless transportation system. The project suffered many delays and has yet to be completed.

Still, Mr. Lloyd of Hyperloop says that Dubai has a good chance of becoming the first location where the Hyperloop will be introduced, and that it will help toward achieving the emirate's goals.

Says Mr. Lloyd, "No one wants to build a project that is an amusement ride."

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Cities See the Power of Good Design for Utility Structures

As hiding eyesores gets harder, there's more need to get creative with utilitarian facilities and integrate them with their surroundings

BY BARBARA SADICK

UTILITY AND public-works structures in cities traditionally have a pretty uniform reputation: They're ugly. But a new generation of projects are being designed to weave infrastructure into cities' social fabric, offering amenities and standing as works of public art.

As cities become more densely populated and land becomes scarcer, it's harder to hide eyesores. So there's more impetus to get creative with utilitarian facilities and integrate them with public spaces and neighborhoods.

"There's not only less space available as old industrial edges of cities become redeveloped, but there's also more of an expectation that infrastructure projects...contribute to a better public realm experience through their design," says Marie Law Adams, principal architect in the Boston firm Landmark Studio and a lecturer in the department of urban studies at the Massachusetts Institute of Technology.

Here's a look at some of the new projects.

Denny Substation

Seattle

Unlike most power substations, which wall themselves off from the surrounding neighborhood, Denny substation will invite passersby to interact with it.

A walkway loop accessible to the public will be 16 feet above the substation's ground level, overlooking Denny Way, city traffic, the Seattle skyline, a landscaped terrace and a dog park. People will be able to peer through portholes in parts of the substation's walls to see its inner workings. The glass and metal walls will slope inward, allowing more



The Denny Substation in Seattle will encourage street life.



New York's Spring Street Salt Shed looks like a salt crystal.

sunlight to reach the surrounding gardens and open spaces.

To encourage street life, the ground level will have retail space, and the site will have parking for food trucks and outdoor spaces for eating.

NBBJ in Seattle was hired in 2012 by Seattle City Light, a publicly owned utility, to build the substation. Currently under construction, the facility is scheduled to be fully operational next year.

Spring Street Salt Shed

New York

Salt sheds are highly utilitarian structures. This one was built to house as much as 5,000 tons of salt to be used on the city's streets.

But the design, by Dattner Architects with WXY architecture and urban design, has been widely acclaimed as a building that enhances its Hudson Square neighborhood along the Hudson River in lower Manhattan.

Designed to look like a salt crystal, the structure has a tapered base that allows more space for pedestrians at street level. The facade complements an art deco Holland Tunnel vent shaft nearby.

The salt shed is surrounded by beds of laminated structural blue-green glass, like a pool filling the space between the sidewalk and the shed's overhanging walls. Day and night, light playing on the glass creates a sense of depth and reflects into the faceted walls of the shed.



At Sherbourne Common in Toronto, colorful cascades help aerate storm water.



Copenhagen Waste to Energy Plant and ski slope, Copenhagen.

Sherbourne Common Stormwater Treatment Facility

Toronto

This project transformed 2,000 acres of waterfront brownfield into public recreational space, integrating a storm-water treatment facility into a public park.

Water is filtered underground, then flows into a facility beneath a park pavilion for a disinfecting treatment from ultraviolet light. Next stop is three "light showers" created by Jill Anholt, a Vancouver artist, where cascades of water are aerated as they tumble down 30-foot-high stainless-steel mesh curtains.

Before the water heads into Lake Ontario, it passes through a water play area, with computer-controlled water jets that children use during the summer. In the winter, the same space becomes an ice-skating rink.

Sherbourne Common was designed by Phillips Farevaag Smallenberg of Vancouver.

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JOURNAL REPORT | THE FUTURE OF CITIES

I Come From the Future

For Vancouverites, seeing their city double as the favorite sci-fi setting for TV and film can be disorienting

BY ALEXANDRA SAMUEL

I'VE SEEN THE FUTURE, and it looks a lot like the view from my office.

That's because I live and work in Vancouver, British Columbia, the city Hollywood uses when it wants to peek a few decades (or centuries) ahead. When you watch a futuristic TV show like "Battlestar Galactica" or "Falling Skies," it was probably filmed in Vancouver. The same goes for futuristic movies like "Elysium" or "Tomorrowland."

You've probably seen the city saved by superheroes ("The Flash"), or read about it surviving climate change by virtue of its uniquely fortunate location ("The Water Knife"). Or maybe you've watched it meet a far less appealing fate—like being dominated by Nazis ("The Man in the High Castle") or destroyed by outlandish natural disasters ("2012").

So what's it like living in the future? Let's just say I feel like a real-life time traveler, living in 2017 but walking streets regularly cast as 2028 ("RoboCop"), 2067 ("Continuum") or 2166 ("Legends of Tomorrow"). The stores I shop in, the streets I drive, the performances I attend: They are all places I've seen filled with aliens, zombies or superheroes. Living on North America's favorite sci-fi set

makes the future seem nearer, and the fantastical seem plausible. It adds up to a very unreal reality.

Starting with X

Vancouver's current status as the home of sci-fi traces back to "The X-Files," which began filming here in the early 1990s, drawn by the city's abundant urban forests. The show helped train a local filmmaking industry with the expertise to pull off special effects, an expertise that deepened with the launch of "Stargate SG-1," a sci-fi show that ultimately grew into a three-series franchise.

The city's diverse landscapes and cityscapes helped solidify its popularity as a filming location. Its skyline of sleek glass towers can double as Hong Kong ("Arrow") or Japan ("Fantastic Four: Rise of the Silver Surfer"). When producers need a historic flashback, they can drop their time travelers into the historic buildings and alleys of Gastown and the Downtown Eastside.

The locations aren't the only appeal. The Canadian dollar has mostly been much lower than the U.S. dollar in recent decades, making Vancouver-based shoots a relative bargain. And policy makers have sweetened the deal with tax incentives.

In 2016, the city played host to the shoots of 47 different TV series,

according to CreativeBC, the government agency tasked with fostering British Columbia's film and TV industry. Of those, 27 were sci-fi, superhero, supernatural or fantasy shows—all genres that get audiences to suspend their disbelief and commit to an alternative reality.

All that fantasy in one city can make for a surreal experience. It gets tricky to navigate your own town once you forget which local buildings actually exist, and which are computer-generated imaginings you've seen on TV. Try remembering where you parked your car when you have seen this parking garage in five different futures. And if you think getting stuck in traffic feels annoying in a regular city, imagine crawling through the same streets you watched the Flash zip through the night before.

Apocalypse when?

Sometimes living amid this much sci-fi and supernatural action can be downright disturbing. Our company's first offices felt vaguely menacing, because "Dark Angel" had filmed all around us: I was used to seeing people snatched up from these very alleys for genetic experiments. When I walk past my husband's old office building I envision psychic super-gorillas (thank you, "Flash"), and when I go to the butcher I picture zombies

eating brains in the backroom (thank you, "iZombie").

Cohabiting with the ever-present shadow of the future can provoke thoughts that are less spooky and more weighty. Thanks to the nature of contemporary science fiction, most of it dystopian, we Vancouverites are challenged not only to consider what the future may hold, but also what we should do to address it.

Take the common sci-fi expectation that we are heading toward authoritarianism. Vancouver sees a lot of shows and movies based on this premise, many of them shot in or around buildings designed by local (and world-renowned) architect Arthur Erickson. The sleek lines of his modernist, concrete buildings clearly appeal to location scouts looking for iron-fisted settings. Erickson buildings have appeared as the base of a supervillain turned global dictator ("Legends of Tomorrow"), American Nazi headquarters ("The Man in the High Castle") and a futuristic prison run by aliens ("Battlestar Galactica").

Once you see your daily landscape slip into fascism, even on screen, that dreaded future no longer feels so unimaginable—nor the security guard at the front door so benign. Indeed, since TV's dystopian functionaries are all played by local talent, a request delivered in a Canadian accent now sounds to me like it's backed by an implicit "...or we'll be taking you and your family somewhere."

There's a similar creepiness that comes from immersion in the possible end of the world. We've seen the end of the world unfold in these very streets by solar flare in "2012," "polar shift" in "Absolute Zero" and

alien nanobots in "The Day the Earth Stood Still."

Given the city's unique role, it's tempting to mine Vancouver sci-fi for clues about North America's future. Those clues point in very different directions, however. One future is suggested by the city we see on the screen. It's a future ruled by corporations from faceless, imposing towers; a future in which the technologies we create turn against us; a future in which genetic tinkering redefines the very meaning of human.

But the fact that North America has pinned its fictional future on Vancouver suggests a more hopeful possibility. The abundant forests that first attracted "The X-Files" reflect a city in which the natural world is never far away, and urban encroachment is allowed to go only so far; a city in which quality of life and sustainability take precedence over material growth.

If it seems hard to reconcile these two futures, well, you haven't been watching enough Vancouver-made sci-fi. Think of them as alternative universes (as in "Sliders" or "The Flash"), alternative timelines ("Eureka") or alternative futures ("Legends of Tomorrow").

North America can travel into either of these futures, and if we seem to be heading too far down the darker path, we can always rewind and reset the timeline. All it takes is some ingenuity, a time machine and a filming permit.

Ms. Samuel is a technology researcher and the author of "Work Smarter With Social Media." Email her at reports@wsj.com.

CITY OF TOMORROW

| Some of the settings played by Vancouver-area locations in futuristic television shows and movies (TV shows except as noted)



Where Shoppers Are Headed

Warehouse distribution centers are replacing malls as the retail hub for urban residents

BY ERICA E. PHILLIPS

UNION, N.J.—Past scrapyards, railroad tracks, stacks of old wooden pallets and rusty shipping containers here sits a nondescript warehouse, alongside a snarl of freeway overpasses, with two dozen trucks parked at its docks.

This is where families across the dense New York City metropolitan area are getting their essential household shopping done.

Every day, tens of thousands of bulk household items move through the Boxed.com fulfillment center, destined for the online retailer's customers along the Northeast corridor. Incoming orders get assigned to large plastic bins that travel along an automated system of nearly 2 miles of conveyors. Workers stationed along the winding route drop each item—from paper towels to peanut butter—into the bins as they pass by. When the order is complete, packers arrange the items in a box, tape it shut and set it on another conveyor headed for a waiting delivery truck.

"All these undesirable locations are now really desirable" for retail, Boxed founder Chieh Huang said on a recent tour of this facility.

A different kind of shopping

Warehouses like these are becoming a way of life for many urbanites. Instead of spending the afternoon choosing items off store shelves and standing in a checkout line, city



Amazon warehouses can deliver orders in one or two hours to much of L.A.

dwellers of the future will tap a few buttons on hand-held devices and a part-human, part-machine warehouse crew in a nearby industrial district will handle the transaction from start to finish. The weekly shopping is done in 10 minutes, and the shopper never has to leave the house.

It's shopping as infrastructure," says Adie Tomer, a fellow at the Brookings Institution's Metropolitan Policy Program. The growing network of e-commerce sites, warehouses and delivery services will "function like a utility," says Mr. Tomer, who has two small children and subscribes to receive regular deliveries of diapers from Amazon.com Inc.

Similar to running water or broadband internet, he says, "when it's off, it's a great inconvenience to our family, but when it's on, I kind of take it for granted. Magically, the diapers are at the front door—great. I don't even think about it."

Unlike the familiar shopping center that draws shoppers in with lighted signs, colorful advertisements, ample parking and public transportation hubs, these neighborhood fulfillment centers aren't designed with the public in mind. They're often plain, designed to blend in and go unnoticed, and they're in areas most people wouldn't think of going to shop: in-

ustrial parcels in vacant pockets close to and inside cities, adjacent to railroad tracks and freeways.

These long-tucked-away areas are experiencing "a bit of an economic renaissance," says David Egan, who leads industrial market research at real-estate brokerage CBRE Inc. "Industrial corridors that used to be centered around manufacturing—now they're centered around distribution."

In a small industrial pocket of the Los Angeles neighborhood of Atwater Village, an unmarked warehouse sits at the end of a long driveway, tucked behind a car-repair shop and a bulk flooring business. Inside, dozens of Amazon workers push carts up and down narrow aisles, selecting dry goods from shelves and cold items from grocery-store-style freezers, then placing them into brown paper bags for delivery.

With the Atwater Village warehouse and three other similar facilities in the Los Angeles area, Amazon Prime Now can deliver orders within a one- or two-hour time frame to a large swath of Los Angeles County. Aside from groceries, the facility stocks everything from children's books and toys to makeup, mobile-phone chargers and luggage.

"We sell a lot of consumables, but we're also fulfilling a need customers have when they're in a pinch," says Amazon spokeswoman Amanda Ip.

The mall no more

The mad dash by Amazon, Boxed and others to meet the immediate demands of e-commerce shoppers coincides with the hastening decline of many urban and suburban shopping centers. Department-store chains, such as Kohl's Corp., Macy's Inc. and Sears Holdings Corp., which historically anchored megamalls, have announced dozens of store

closings in the past year. Shopping-center vacancy rates are on the rise.

Many cities are razing downtown shopping centers from a bygone era to make way for hotels, office buildings and new housing developments. Suburban malls trying to keep the doors open have shifted their focus to higher-scale restaurants and new entertainment offerings, such as golf driving ranges, wall climbing and skydiving simulators.

For some shoppers, bypassing malls and ordering necessities is becoming a routine. As the mother of a baby boy, Katie Neumann of Albuquerque says she's starting to do more of her shopping online—through the Wal-Mart Stores Inc. website and other retailers—because it's more convenient. "I don't have to get the baby all ready to go somewhere, and online it's easier for me to judge how much I'm spending," she says.

Ms. Neumann, who is 27 and married, says she doesn't get out of the house for fun too often. "But if I were to go out, it probably wouldn't be to a mall, at least not to buy anything," she says.

That's the ideal result of shopping's new infrastructure, say some observers—that city dwellers spend less time pushing around shopping carts and more time in restaurant booths, out for walks or meeting friends at the park.

"Getting goods delivered to one's home doesn't eliminate that other part of the human experience—wanting to get out of the house to get fresh air," says Brookings' Mr. Tomer. "People will just exchange it. 'Now that this other itch is scratched, maybe I'll sit outside with a newspaper.'

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Why a City Needs to Create Its Own Global Brand

Greg Clark talks about which cities do it really well, and how some could do a lot better

BY HEIDI MITCHELL

A QUARTER-CENTURY ago, cities sought to promote a positive image mainly because they wanted to attract tourists and foreign investment. Today, metro areas from San Diego to São Paulo have come to a new realization: If they want to compete against other global population centers, they need to position themselves as attractive places for knowledge workers, institutions, cultural and sporting events, and even film shoots.

Greg Clark, a nonresident senior fellow at the Brookings Institution's Metropolitan Policy Program, has been studying this phenomenon and advising civic leaders on the importance of their brand for three decades. His recent book, "Global Cities: A Short History," explains how age-old forces such as trade, migration, diversity and technology have allowed some cities to emerge as global leaders while others fall behind.

In a recent interview, Mr. Clark—who has advised more than 200 cities, including many of those mentioned below—discussed why a strong urban identity can't be forced and when positioning a city on the global stage is essential. Edited excerpts follow.

A city's story

WSJ: What exactly is a "city brand"?

MR. CLARK: City branding is the accumulation of identity, reputation and the promise that any individual city can become known for certain characteristics. For citizens, it's: Would you like to live here? Do you want to move away? Are you happy with the lifestyle? Then there is a

visitor dimension: Would you want to visit here? The third is for business: Can you see this place providing you with an environment that will give you a return on your endeavor? And the fourth is innovation: Does this place have the ability to inspire and provide solutions?

In the end, cities are competing globally for population, students, cultural events, corporations, ventures and live entertainment. The difficulty is that cities aren't simply products or companies, so it's easy to make mistakes.

WSJ: What sort of mistakes?

MR. CLARK: The typical failure is to think that cities need a logo, a slogan and an iconic image. Stuff like that can be useful, but they aren't solutions unless they are the culmination of other events. The Guggenheim in Bilbao, Spain, is a useful symbol because it shows the city's shift from postindustrial decline to a place of art and culture. The building on its own wouldn't work unless there was a story behind it about change.

On the other hand, Cape Town said "This City Works For You," which in the context of Africa means that this is a city that does business efficiently. But that message doesn't have meaning or purpose beyond business, so it fails globally.

WSJ: Where are the success stories?

MR. CLARK: Glasgow developed a brand strategy for less than \$100,000 by crowdsourcing the work through a competition. In the end, it chose a tagline that has a deeper narrative behind it: "People Make Glasgow" expresses the Glaswegian qual-



GREG CLARK

ity of working with one another with a sense of common purpose.

Now the city has a whole storytelling strategy, including "Food Makes Glasgow," and "Music Makes Glasgow." That required little money, a high level of citizen and other stakeholder engagement—and it created a confidence boost.

A long, slow process

WSJ: How does a city even begin to create a brand?

MR. CLARK: City positioning is a long, slow process that involves leaders bringing together different representatives of the city. The main steps would be to benchmark the city's identity against other places with comparable assets; recruit citizens and city institutions to build an alliance; align existing events and marketing with an agreed-upon common story; train citizens and civic leaders to be champions of that story; and review progress annually to develop additional approaches.

Tel Aviv is a good example. Despite a vibrant tourism sector, the Israeli city in 1998 was losing population to its regional neighbors. Mayor Ron Huldai stepped in

'The difficulty is that cities aren't simply products or companies, so it's easy to make mistakes.'

GREG CLARK

and effectively "recruited" citizens by investing in public spaces, fixing potholes, improving schools, tackling crime and promoting the famous Bauhaus buildings [a collection of some 4,000 Modernist buildings]. The population returned and new immigrants arrived as the city successfully evolved into a "livable city," then a "non-stop city" and then a "startup city."

In a way, this sequential positioning provided a narrative that has helped build a brand for external audiences, as well as loyalty among the citizens and stakeholders.

WSJ: Should all cities brand themselves?

MR. CLARK: Not all the time. It made no sense until 1994 for any Eastern European country locked in an authori-

tarian regime to tell its story to businesses. Cities in conflict zones such as Belfast and Addis Ababa, Ethiopia, have only laterally needed to attract new events. There are two other groups for whom a brand is really important: cities where there is a dominant national identity—like those in Canada, whose outward impression is nonurban, but where 85% of citizens live in five cities—and cities that have become famous for one thing but are desperate to switch to another.

WSJ: Can cities get stuck in an outmoded identity—or even change their brand?

MR. CLARK: Who knew that San Diego is a great city of technology and a leader in oncology and oceanography? Not many, because it has retained a holiday identity. It could be a global leader if a different story about it as an innovation center is told.

In Newcastle, in New South Wales, Australia, I was expecting to see a postindustrial malaise, a rust-belt Australia. Instead, I found a city where coal mining is active and the technical university is relocating to the city center. People are moving back into the city, the population

is growing, and there is some of the best surfing and waterfront in the country. They need to get together and tell the world that they are a center for an organic lifestyle.

WSJ: Are there traps that city brands can fall into?

MR. CLARK: The worst situation is when your product is worse than your image. Currently Berlin is perceived to be sexy and attractive, but the capacity to fulfill its promise is subject to some question. However, if your expectations are low, but quality of life is high, you can make progress quickly. Pittsburgh, for example, has vastly improved, but because it's part of the Rust Belt, it hasn't focused on building an international story that gives it a positive identity, reputation and promise. That said, it isn't a bad thing when a product is already better than its image. You can make progress quickly.

WSJ: What if I don't live in a city? Should I even care?

MR. CLARK: Right now 51% of the world lives in cities; by the end of the cycle that we're in, from 1980 to 2080, 80% will live in cities. Humankind will be mostly urbanized with a stable population. We all have a collective interest in the performance of cities. They are engines of economic development, sustainability, social mobility and encouraging citizens cross-culturally. Having a high regard for cities and what they can accomplish is important.

And there are more cities now that are capable of [attracting mobile people and events]. We might have said 25 years ago that there were 10 global cities; today we might say there are 100. So visibility and differentiation is key.

Ms. Mitchell is a writer in Chicago. She can be reached at reports@wsj.com.

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