

# THE WALL STREET JOURNAL.

DOW JONES | News Corp.

TUESDAY, APRIL 11, 2017 ~ VOL. XXXV NO. 51

WSJ.com

EUROPE EDITION

DJIA 20658.02 ▲ 0.01%    NASDAQ 5880.93 ▲ 0.05%    NIKKEI 18797.88 ▲ 0.71%    STOXX 600 381.25 ▼ 0.003%    BRENT 55.98 ▲ 1.34%    GOLD 1251.10 ▼ 0.26%    EURO 1.0606 ▲ 0.16%

## What's News

### Business & Finance

**Activist investor** Elliott Management urged BHP to spin off its U.S. petroleum assets and outlined a significant restructuring for the miner. **A1**

◆ **U.K. and U.S.** regulators began an investigation into Barclays CEO Staley over his attempts to unmask a whistleblower. **A1**

◆ **Tesla became** the largest U.S. auto maker by market value, overtaking GM, as its shares rose as high as \$313.73, pushing its market capitalization to \$51.17 billion. **B1**

◆ **Foxconn Technology** offered as much as \$27 billion for Toshiba's computer-chip business. **A1**

◆ **Wells Fargo** retrieved an additional \$75 million of pay from two former executives largely responsible for years of sales-practice problems. **B1**

◆ **Shares of energy** companies lifted U.S. stocks as investors looked ahead to the beginning of corporate-earnings season. **B7**

◆ **Toyota plans to** invest \$1.3 billion in its Kentucky plant and is considering adding more U.S. capacity. **B2**

◆ **Global issuance** of junk bonds has more than doubled so far this year, with Asia experiencing the biggest jump. **B7**

◆ **United Airlines** faces backlash after a video was released of a man being dragged off a plane in favor of its own employees flying standby. **B3**

### World-Wide

◆ **French presidential** candidate Le Pen faced strong criticism over comments playing down France's role in the Holocaust. **A5**

◆ **The White House** sought to play down rifts among senior staff that led Trump to consider a major shake-up of his team. **A7**

◆ **Iranian cleric** Ebrahim Raisi said he would run in the country's presidential election next month. **A4**

◆ **Foreign ministers** from G-7 nations met to try to forge a common response to last week's chemical attack in Syria. **A3**

◆ **The Uzbek nationality** of the suspected terrorist in a Stockholm truck attack has security officials focusing on Central Asian nations. **A4**

◆ **A suicide bomber** killed at least nine soldiers at a camp in Somalia's capital, and a government official was killed by a bomb planted in his car. **A5**

◆ **Top global economic** and finance institutions defended the role of the WTO, countering a Trump administration challenge. **A5**

◆ **The U.K.'s main** opposition Labour Party called for a fresh probe into the BOE's possible role in the rigging of Libor in 2008. **A5**

◆ **Trump's hiring freeze** at federal agencies has hurt their functioning, union officials and workers say. **A7**

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€3.20; CHF5.50; £2.00;  
U.S. Military (Eur.) \$2.20



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## The Newest Justice Takes the Oath



**VACANCY FILLED:** Neil Gorsuch was sworn in to the U.S. Supreme Court in Washington, restoring the court's conservative majority. **A6**

## BHP Feels Heat From Fund

Elliott Management presses mining giant to shed oil assets, boost holder returns

MELBOURNE, Australia—Activist investor Elliott Management Corp. on Monday urged BHP Billiton Ltd. to spin off its U.S. petroleum assets and outlined a significant restructuring for the world's largest listed miner.

BHP rejected the New York hedge fund's plan as too costly, setting up another fight between a business heavyweight and the investment firm managed by Paul Singer.

Elliott, which manages nearly \$33 billion, is known as an aggressive investor that doesn't shy away from targeting big companies in places where others have

been hesitant to wade into local politics.

It has tried to shake up Samsung Electronics Co., a campaign that included a cameo in the rancor that led to the impeachment of South Korea's president and the arrest of a Samsung heir.

Elliott is also trying to oust the chief executive of Arconic Inc., the former U.S.

aluminum giant Alcoa, and push Dutch paint maker Akzo Nobel NV into a \$24 billion deal with a rival.

In BHP, Elliot has targeted a company that has lagged behind its mining peers during a commodity-price upswing.

The fund took particular aim at BHP's oil-and-gas portfolio in the U.S. and Australia—which produces about 660,000 barrels of oil equivalent. *Please see BHP page A7*

## Foxconn Again Stalks Japanese Tech Assets

By TAKASHI MOCHIZUKI

Foxconn Technology Co. has offered up to ¥3 trillion (\$27 billion) for Toshiba Corp.'s computer-chip business, people familiar with the matter said, marking another bid for a pillar of Japan's high-tech industry by the Taiwanese company.

Foxconn, the world's largest electronics contract manufacturer and an assembler of Apple Inc. products, used a similarly bold tack last year to win control of Sharp Corp. It put forth a bid price well above what others were offering and ultimately beat out a Japanese government-backed investment fund.

The latest bid by Foxconn, formally known as Hon Hai Precision Industry Co., could put the government of Japan on edge. *Please see CHIP page A2*

## OUTSIDE WORKERS FUEL VIDEOGAME INDUSTRY

In-house employees concentrate on the most important work, and contractors handle the rest; firms don't pay for 'someone's downtime'

By LAUREN WEBER

SAN DIEGO—The hit videogame "Rocket League" pits jet-powered race cars against one another in an antic soccer match. The big winner is creator Psyonix Inc., which has just 81 employees yet has amassed more than 29 million players in less than two years.

Employees at the San Diego company dream up new themes and car designs, program software, troubleshoot technical issues and watch over a network of contractors scattered around the world. The outside workers test "Rocket League" for bugs, translate it into foreign languages, transfer the software to new types of consoles and handle customer service.

"The smaller we can be, the better," said Chief Executive Dave Hagewood, even though relying on contractors means less control over the speed and quality of the work needed to keep "Rocket League" humming. Overall, 40 or 50 of the 120 people who

work on "Rocket League" are contractors, he estimates. It had \$110 million in revenue in its first year alone.

As outsourcing sweeps through almost every industry in the U.S., the videogame business looks a lot like the workplace of the future. A lean core of in-house employees focuses on the most important jobs, with the rest hired out to layers of contractors and subcontractors. Outside workers come and go based on project cycles.

Consulting firm Accenture PLC, one of the world's largest outsourced labor providers, calls it the "liquid workforce," which can be turned on and off like a faucet.

More than 300 of the roughly 2,000 people who built Activision Blizzard Inc.'s "Call of Duty: Advanced Warfare," one of the best-selling games of 2014 in the U.S., worked for outside companies or were independent contractors, according to credits listed on the videogame database MobyGames. About 70 *Please see GAMERS page A8*

## Barclays Chief Faces U.K., U.S. Inquiry

By MAX COLCHESTER

LONDON—U.K. and U.S. regulators have begun an investigation into Barclays PLC Chief Executive Jes Staley over his attempts to unmask a whistleblower who raised questions about one of the bank's top hires.

The U.K.'s Prudential Regulation Authority and Financial Conduct Authority are probing both Mr. Staley and the bank over its treatment of whistleblowers after Mr. Staley tried to identify the source of an anonymous letter that criticized the new hire and Mr. Staley's previous dealings with him, Barclays said Monday. The bank added that it had issued a formal reprimand to Mr. Staley and would make a "significant" cut to his bonus. It is also conducting its own review into Barclays's controls.

The New York State Department of Financial Services, which regulates Barclays in the U.S., is also investigating the matter, according to a person familiar with the probe.

The hire in question was Tim Main, who was brought in from Evercore Partners to run Barclays's financial institutions group, according to a person familiar with the matter. *Please see CEO page A2*

◆ **Bank of England's Libor** role is under scrutiny..... **A5**

### INSIDE



TESLA VIES WITH GM ON VALUE

BUSINESS & FINANCE, B1



CLAWBACKS INCREASE IN BANK SCANDAL

BUSINESS & FINANCE, B1



MOHAMED EL-SHAHED/AGENCE FRANCE PRESSE/GETTY IMAGES

## Egypt Mourns Victims

**DISTRAUGHT:** A man grieves over a victim of the Palm Sunday church bombings. Islamic State, which was behind the attacks, has exploited Egypt's overstretched security services to urge the targeting of Christians. **A3**

## What This Company Needs Is Some Gloomy Literature

To cope with its woes, South Korea's Lotte looks to a German romance

By JONATHAN CHENG

SEOUL—The past two years have been bleak for Lotte Group, a Korean-Japanese conglomerate that has suffered a run of misfortune.

To get through, Lotte's top executives have found succor

in an 18th-century German tragic romance.

"The Sorrows of Young Werther," written by German literary giant Johann Wolfgang von Goethe in 1774, tells the tale of a young man, Werther, who kills himself after the beautiful woman with whom he

has fallen in love, Charlotte—or Lotte, for short—marries another man. It was a world-wide sensation that spurred a genre of novels, poetry and fashion.

Reading the story while studying in wartime Japan, Lotte Group's Korean-born *Please see LOTTE page A8*

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WORLD NEWS

# Five Players Steer Trump Diplomacy to Center



CAPITAL JOURNAL  
GERALD F. SEIB

It's an old Washington saw that personnel is policy, but it's true. If you want evidence, just look at the evolution of President Donald Trump's foreign policy. The Trump approach on national security is starting to look—dare we say it?—almost conventional. America-first, neo-isolationist tendencies have faded. Last week's missile strike at Syria, in punishment for the regime's chemical attacks on its own civilians, was a mainstream move that won bipartisan praise. There remain plenty of mixed signals, of course. But campaign-season chumminess with Russia increasingly is a thing of the past. There has been no instant trade war with China, the Iran nuclear deal

hasn't been abrogated, the U.S. embassy in Israel hasn't been moved to Jerusalem. An aircraft carrier group is moving closer to North Korea as a warning about that regime's nuclear high jinks, another sign of embracing rather than retreating from a global role. Each of these moves might have been made by a more conventional Republican president, or even by Democrat Hillary Clinton. What's striking isn't that they are unusual, but that they aren't. What accounts for this slide away from campaign rhetoric? Part of the explanation undoubtedly lies in the simple realities of the office bearing down on President Trump. But it's also easy to see the fingerprints of a Big Five set of players in shaping the administration's approach: Secretary of State Rex Tillerson, Defense Secretary Jim Mattis, national security adviser H.R. McMaster, Commerce Secretary Wilbur Ross and presidential son-in-law and adviser Jared Kushner. Together, they have stabilized the administration's strategy and pushed it onto a more conventional track. Meanwhile, the administration's first national security



President Trump, center, last week as the Navy struck a Syrian base.

adviser, Michael Flynn, is gone; strategist Steve Bannon is off the National Security Council principals committee; and the profile of trade adviser Peter Navarro has receded. All have different, nonconformist views, less in keeping with the establishment consensus. Messrs. Tillerson and Mattis are the key players. They are hardly cut from the same cloth: Mr. Mattis is a retired Marine general who has been steeped in national-security debates and decisions for years, while Mr. Tillerson is a former Exxon Mobil Corp. CEO whose world views were de-

veloped in a corporate suite. But they have resolved to be joined at the hip in approaching administration debates on important national-security matters. They worked together to get Iraq, a country with which the U.S. is allied in a war, removed from the president's initial ban on travelers from a set of Muslim-majority countries. Both are tough-minded about Iran, but didn't think ditching the Obama administration's nuclear deal with Tehran would be a wise move; it remains intact. Together, they have engi-

neered an administration-wide effort to reiterate the importance of traditional alliances, and especially the North Atlantic Treaty Organization, despite Trump campaign comments disparaging allies. Perhaps most striking, they have led the way in setting a tougher tone against Russia, most notably by Mr. Tillerson. This is a surprise from a man who had developed a kind of friendship with Russian President Vladimir Putin during his business career. (They might get to re-acquaint when the secretary visits Moscow this week.) Mr. Tillerson has been bluntly critical of Russia in recent days. That was especially so over the weekend, in the wake of the U.S. strike against the Syrian regime of Bashar al-Assad, who is being propped up by the Kremlin. In an appearance on CBS, Mr. Tillerson said recent Syrian chemical weapons attacks show the Russians were "complicit" or "simply incompetent" or "outwitted" by the Assad regime. In any case, he said, "Russia has failed" in its duty to rid Syria of chemical weapons. Lt. Gen. McMaster, meanwhile, is reshaping the Na-

tional Security Council to his liking. Mr. Bannon is out as an official member of the council, and the deputy national-security adviser, K.T. McFarland, is leaving to become ambassador to Singapore. For his part, Mr. Ross has steered trade rhetoric away from threats of precipitous unilateral action and into more traditional channels. Last week's summit with China produced an agreement for some tough bilateral talks but no rupture of the relationship. A new approach to trade is still coming, but the administration seems likely to use traditional channels to respond to perceived Chinese misbehavior. Mr. Ross also has de-escalated trade tension with Mexico; the North American Free Trade Agreement still will be revised, but apparently in a methodical manner. Mr. Kushner's role is harder to discern, but he has struck alliances with these other key players. They, in turn, have courted him and his influence with his father-in-law. It's early, but the effects are showing. Some Trump fans are unhappy with this drift toward the conventional. Meanwhile, the oft-derided establishment is breathing a bit easier.

## A Ceremonial Lineup in Beijing



POINTED PROCESSION: A People's Liberation Army honor guard rehearsed before a ceremony for Myanmar President Htin Kyaw on Monday, during his state visit to China.

## CEO

*Continued from Page One*  
ter. Mr. Main had previously worked with Mr. Staley at J.P. Morgan Chase & Co. He declined to comment. "I have apologized to the Barclays board, and accepted its conclusion that my personal actions in this matter were errors on my part," Mr. Staley said. In June 2016, Barclays's board and a senior executive received anonymous letters raising "concerns of a personal nature" about Mr. Main, as well as Mr. Staley's "knowledge of and role in dealing with those issues at a previous employer," the bank says. Mr.

Staley initially asked Barclays's internal security team to try to identify the authors of the letters, believing them to be an "unfair personal attack," the bank said. He was told that it wasn't appropriate to do so. But in July he followed up on the request, and the security team asked a U.S. law-enforcement agency to try to help. The whistleblower's identity was never revealed, the bank says. A Barclays employee flagged the matter to the bank's board in early 2017. The board then commissioned its own probe and shared its findings with the U.K. regulators. Barclays said an internal investigation into Mr. Staley's actions concluded that he honestly, but

mistakenly, believed that it was permissible to identify the author of the letter. The probe is expected to take several months, according to people familiar with the matter. Punishments could range from a verbal warning to Mr. Staley's being barred from undertaking regulated activity, a step that would prevent him from remaining CEO. Barclays's board will await the regulators' findings before docking a chunk of his 2017 bonus. Last year, Mr. Staley was paid £4.2 million (\$5.2 million). The issue is another stumble for Barclays as it tries to overhaul its image after years of scandals. Mr. Staley has trumpeted the bank's values and brought in executives to



Barclays CEO Jes Staley

upgrade its controls. "This latest revelation represents a very significant embarrass-

ment for the board as it tries to rebuild the group's reputation," said Gary Greenwood, an analyst at Shore Capital. Since his arrival in late 2015, Mr. Staley has refreshed the bank's management team, bringing in a series of new executives. Many of them were from his alma mater, J.P. Morgan. He has replaced the bank's chief risk officer, chief operating officer and the head of the lender's investment bank. Some within Barclays have grumbled that Mr. Staley wasn't giving insiders a fair chance and was leaning too heavily on J.P. Morgan, where he spent more than three decades, holding a portfolio of roles including running its investment bank. Mr. Staley left J.P. Morgan

in 2013 after a management reshuffle. He joined BlueMountain Capital, a hedge fund that had profited a year earlier from the "London whale" debacle, which left J.P. Morgan with more than \$6 billion in losses. Barclays investors have warmed to Mr. Staley's plan to reinforce Barclays's investment-banking franchise and refocus the lender on its U.S. and U.K. operations. The bank's share price has risen 43% this year. Barclays Chairman John McFarlane said that he is "personally very disappointed" in Mr. Staley, but the board nonetheless said it supports his reappointment at the bank's annual shareholder meeting next month.

## CHIP

*Continued from Page One*  
nese Prime Minister Shinzo Abe in a tough spot. Some in the government are hoping to see a Japanese company or a joint U.S.-Japan team take the prized Toshiba asset because they see the chip business as strategic, say people familiar with the matter. But it would be hard for financially strapped Toshiba to turn down the extra cash from Foxconn. Analysts have estimated the business's fair value at between ¥1.5 trillion and ¥2 trillion. One person familiar with the matter said the next-highest bidder after Foxconn offered about ¥2 trillion when initial bids for the business were accepted in late March. Representatives for Toshiba and Foxconn declined to comment on the bidding process. The people familiar with the bids cautioned that the process isn't in the final stages. Bids

can often change as contenders get a closer look at the target. In Sharp's case, Foxconn ended up paying less than an earlier offer after it discovered unexpected liabilities. It acquired about two-thirds of Sharp, a maker of smartphone displays and consumer products, for ¥388.8 billion in a deal that closed in August. Toshiba has said it intends to sell up to 100% of the chip business, which makes flash-memory chips for smartphones and computer servers. Battered by huge cost overruns at U.S. nuclear-reactor construction projects, Toshiba is looking to cash out assets to stay alive. Last month, nuclear-reactor maker Westinghouse Electric Co., which is majority-owned by Toshiba, filed for bankruptcy in the U.S., and Toshiba said it expected to book a ¥1 trillion loss in the year ended March 31 to account for losses at Westinghouse. Toshiba's chief executive, Satoshi Tsunakawa, said last month the most important fac-

tor in selecting a buyer for the chip unit was the amount of the offer, followed by the buyer's ability to close the deal quickly. Mr. Tsunakawa said he was aware that the Japanese government wanted Toshiba to pay heed to national-security concerns, but Toshiba said that concern would come after the other two. *Buying the Toshiba business would allow Foxconn to add another cash cow.* A government official said Japan would be opposed to any mainland Chinese bidder for the Toshiba chip business because Tokyo fears China might leverage Toshiba's technology to become a major industry player and perhaps even put spyware on chips. The main

product of the Toshiba unit is called NAND flash memory, and it is used in data centers as well as consumer goods. Foxconn doesn't currently own a major flash memory maker, meaning it wouldn't face the antitrust hurdles that some other bidders would. Buying the Toshiba business would allow Foxconn to add another cash cow to boost growth, since memory chips are likely to be part of many internet-connected devices. Still, some analysts say it would be a challenge for Foxconn and its chief, Terry Gou, to manage a business heavily dependent on advances in research and development—a factor that may favor bidders already in the chip-manufacturing business. For NAND flash memory, Samsung Electronics Co. has the largest market share and the most advanced research-and-development capability, said IHS Markit's analyst Satoru Oyama. Toshiba is the second-larg-

est but faces a widening gap with Samsung, he said. —Yang Jie and Eva Dou contributed to this article.

## CORRECTIONS & AMPLIFICATIONS

**Google's IPO** was priced at \$85 and the shares now change hands for about \$850 apiece, after they were split roughly 2-for-1 in 2014. A Page One article in the Friday-Sunday edition about Spotify's plans to go public failed to mention the split in noting the share-price gain of Google, which is now part of Alphabet Inc.

**The name of oil trader** Gunvor Group was given incorrectly as Guvnor Group in a Finance Watch headline on Monday.

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**THE WALL STREET JOURNAL.**  
Europe Edition ISSN 0921-99  
The News Building, 1 London Bridge Street,  
London, SE1 9GF

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Sales: Hong Kong: 852-2831 2504; Singapore:  
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Frankfurt: 49 69 29725390; London: 44 207  
842 9600; Paris: 33 1 40 17 17 01;  
New York: 1-212-659-2176

**Printers:** France: POP La Courmeuve; Germany:  
Dogan Media Group/Hartmet A.S. Branch; Italy:  
Qualprinters s.r.l.; United Kingdom: Newsprinters  
(Brixbourne) Limited, Great Cambridge Road,  
Waltham Cross, EN8 8DY

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**Editor responsible:** Thorold Barker M-17936-  
2003. Registered address: Avenue de Cortenberg  
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## WORLD NEWS

# Grief Turns to Anger After Egypt Attack

Mourners bemoan inability of security forces to protect country's Christians

By MARIA ABI-HABIB  
AND DAHLIA KHOIAIF

TANTA, Egypt—As family and friends gathered Monday to bury a university student killed in the suicide attack on worshippers here on Palm Sunday, grief boiled over into anger over the government's inability to protect the Christian minority.

Fadi Ramsis, 22 years old, was laid to rest in the northern Egyptian town of Tanta just months before he was to graduate from university there. Mr. Ramsis was one of more than 40 people killed in twin suicide blasts targeting Tanta's main church and a cathedral in the nearby city of Alexandria. It was the latest episode of mounting violence against Egypt's Christian minority at the hands of Islamic State militants.

"We no longer see a future for us in Egypt, but we won't leave," said Hoda Ibrahim, a 20-year-old university student. "Yes, we're very angry at the government. After each attack, they make the same promises only for it to happen all over again."

Egypt's government is bogged down in endemic economic, social and security problems, leaving the country's Christians feeling insecure about the government's capacity to defend them against a bubbling insurgency that has zeroed in on the community as a vehicle to challenge the state.

Islamic State has exploited a vacuum created by Egypt's overstretched security ser-



Mourners carry the coffin of a victim of Sunday's twin blasts, which killed more than 40 people and fueled anger among Christians about a lack of security.

vices to publicly urge the targeting of Christians. In February, the extremists forcefully displaced Christians from al-Arish, the largest city in the restive Sinai Peninsula. They deployed suicide bombers to hit churches across the nation.

The group, fast losing its core territory in Syria and Iraq, is expected to step up attacks in the Middle East as heightened security in Europe makes it more difficult to launch terror attacks there.

"We are not able to send our soldiers to Europe, so the new tactic is to hit more in the region and anywhere we can infiltrate," a midlevel Islamic State leader in Syria told The Wall Street Journal in January,

explaining the group's devastating attack on a church in Cairo that killed over two dozen worshippers in December. "As the situation gets harder in Syria, the Islamic State will hit wherever it hurts the crusaders and the apostates."

Egyptian authorities are struggling to keep the government afloat and stamp out growing discontent from a population frustrated by the failure of the 2011 revolution to bring about meaningful political and social freedoms. Terror groups like Islamic State have taken advantage of stretched security forces to attack soft targets such as the Christian community.

Among the hundreds of

mourners gathered Monday afternoon outside the Mar Girgis church in Tanta, there was a sense of hopelessness. Guards employed by the church patted down mourners, distrustful of the state's ability to secure the funeral.

"It seems they fixed the metal detectors, finally," muttered one woman lining up to enter.

Some stopped to pay their respects to the 27 worshippers killed and buried on the church grounds Sunday evening, hours after the blast. The bishop's office building was turned into a mausoleum to house the dead, its windows hastily covered up with red brick and the cement still dry-

ing when Mr. Ramsis's funeral began. Mr. Ramsis died Monday morning from wounds sustained in Sunday's attack.

Youths sobbed on the sidewalk as they waited to enter the church, some clutching white flower wreaths shaped like crosses. Others had come immediately from class, textbooks in hand.

Ms. Ibrahim showed photos on her phone of 11 friends killed on Sunday, describing them like family members, as they worshiped at the same church their whole lives. Her Muslim classmates also attended the funeral, women wearing the hijab embracing friends donning crucifix necklaces, crying alongside them.

They exchanged information about the victims as they waited for security checks to get into the funeral. One woman gave an update about the fate of a friend.

"His two sons died," she told a group of friends. "No, no," a man corrected her. "One son was killed during mass while the other was at church last night burying his brother."

Although church officials welcomed journalists to the funeral, state security tried to hinder them from attending after President Abdel Fattah Al Sisi criticized the media Sunday for extensive coverage of the attacks.

—Nour Alakraa contributed to this article.

## G-7's Top Diplomats Meet to Seek Common Ground on Syria's Assad

Foreign ministers from the Group of Seven industrialized nations met to try to forge a common response to the chemical attack in Syria, with new sanctions against Russian backers of President Bashar al-Assad on the table.

The diplomats meeting (at right) in the centuries-old Ducal Palace in Lucca, Italy, hope to use outrage over the attack and international support for the U.S. missile strikes on Syrian forces to push Russia to abandon Mr. Assad and join a new peace effort.

The group also hopes to gain a sense from U.S. Secretary of State Rex Tillerson of President Donald Trump's foreign-policy goals.

After meeting with Mr. Tillerson, British Foreign Secretary Boris Johnson said ministers "will be discussing the possibility of fur-

ther sanctions, certainly, on some of the Syrian military figures and indeed on some of the Russian military figures."

The U.S. strikes drew support from other Western leaders who have been uncertain what to make of Trump's foreign policy.

Italian Foreign Minister Angelino Alfano said Sunday that Europe's support for the U.S. military strikes had contributed to a "renewed harmony" between the United States and its partners.

In a gesture weighted with symbolism, Mr. Tillerson visited the site of a World War II-era Nazi massacre in central Italy on Monday. He said the United States was rededicating itself to hold to account "any and all" who commit crimes against innocent people.

—Associated Press





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WORLD NEWS

# Gulf States Losing Clout in Syria

Saudi Arabia and its Arab Gulf allies are mired in a long and costly war in Yemen

Saudi Arabia and its Gulf allies, once among the leading champions of regime change in Damascus, now lack the political will and military leverage on the ground to shape Syria's political future.

By *Margherita Stancati*  
in Dubai  
and *Maria Abi-Habib*  
in Beirut

As the U.S. weighs additional steps against Syrian President Bashar al-Assad following its cruise missile strike on a Syrian air base last week, it can no longer count on the Sunni Muslim monarchies of the Gulf to take the lead in organizing and supporting the Syrian rebels.

The rebel groups supported by Saudi Arabia and Qatar are weaker and more besieged than ever, and a Saudi-led regional coalition is mired in an unexpectedly protracted and costly war in Yemen, a fight it views as critical to containing the regional ambitions of mainly Shiite Iran.

"The Gulf states know they are bogged down in Yemen. They have no power or capability to do something meaningful in Syria," said Andreas Krieg, assistant professor in defense studies at King's College London and a former adviser to Qatar's armed forces.

Gulf governments cheered last week's cruise missile strikes, the first direct use of U.S. military force against the Syrian government in the six-year war. The attack has raised their hopes that President Donald Trump will take bolder action against Mr. Assad than his predecessor, Barack Obama, and aggressively move to curb what they view as Iran's expanding influence in Syria and



A boy at a rally in Aleppo last year held a poster of Syria's President Bashar al-Assad. Opposition to Mr. Assad has weakened.

elsewhere in the region. The future of the Iranian-backed Mr. Assad is expected to be high on the agenda of U.S. Secretary of State Rex Tillerson, when he travels to Moscow on Tuesday for talks with his Russian counterpart Sergei Lavrov. Mr. Tillerson said he would press the Kremlin to reconsider its longstanding support for the Syrian president. It is unclear how far the White House is willing to go to counter Mr. Assad.

On Sunday in separate interviews, Mr. Tillerson and national security adviser H.R. McMaster said that last week's missile strike wasn't a sign that the U.S. is now focused on toppling Mr. Assad. America's priority was to first defeat Islamic State, the secretary of

state said. In another interview, Nikki Haley, the U.S. ambassador to the United Nations, said regime change in Syria "is something we think is going to happen," but stopped short of saying it would come about by military force. Meanwhile, other U.S. officials outlined a process by which Mr. Assad would be replaced through negotiations or through elections.

During the Obama administration, Saudi Arabia and Qatar led calls from the Arab world for Washington to act more decisively against the Syrian regime. But since last week's U.S. attack, no Gulf country has publicly called for Mr. Assad's removal.

Qatar's foreign ministry, after last week's missile strikes,

urged the international community to do more "to stop the crimes of the regime" and to "form a transitional government that ensures the preservation of Syria's unity and institutions."

The omission of regime change in the statement appeared to reflect a widely shared ambivalence in the Gulf.

While Saudi Arabia and its neighbors share an interest in containing Iran and its regional allies and proxies, they also recognize that without a viable replacement for Mr. Assad, his removal could leave a power vacuum that radical groups could exploit—for the United Arab Emirates, for instance, this is the top concern. Currently, however, the Syrian opposition is so deeply fractured

it would be difficult to offer up such a replacement.

Saudi Arabia and its regional allies are optimistic that the flexing of U.S. military muscle last week, at the very least, will force the Syrian regime to take discussions to end the war more seriously and will strengthen the rebels' position at the negotiating table.

"Saudi Arabia wants a political transition, which is more complicated now as Assad is in a much stronger position than he was two or three years ago," said Prince Faisal bin Farhan, an analyst and informal adviser to Saudi Arabia's royal court.

"The importance of this strike is that the Trump administration has changed the calculus of Assad and its supporters," he said.

## Sweden Attack Places Focus on Central Asia

By *DAVID GAUTHIER-VILLARS*  
AND *DREW HINSHAW*

STOCKHOLM—The Uzbek nationality of the suspected terrorist in a truck attack that killed four here has Western security officials focusing on the former Soviet states of Central Asia, a geopolitically knotty source of extremists.

Before Friday's rampage in which a man drove a truck into a crowd, nationals from the region were suspected to have attacked a nightclub and an airport in Turkey last year, as well as a subway in St. Petersburg, Russia, this month.

No group has claimed responsibility for the attack here in which two Swedes, one Briton and a Belgian were killed. Authorities said the suspect in custody is a 39-year-old Uzbek who had been wanted since Feb. 24 for failing to comply with a deportation order. Swedish police said the man, identified as Rakhmat Akilov by local media, had applied for residency in 2014. He had been investigated over signs of extremism last year, and had voiced sympathy online for radical groups.

His trajectory from residency applicant to man in hiding highlights the challenge in detecting and tracking radicals hailing from the landlocked region.

Thousands of fighters from Central Asia have rallied to violent groups in Iraq and Syria. Many don't travel directly to the Middle East but rather are recruited in Russia, Turkey or Europe by networks that prey on emigrants who fled their own

politically repressive regimes. "There's been an underappreciated amount of Central Asians who have fought with ISIS in Syria and, since the beginning of the Russian air-strikes last year, they have been either returning to Afghanistan or Turkey and, in some cases, now seem to be deploying to Europe," said Jacob Zenn, an analyst at the Jamestown Foundation in Washington.

European officials have been trying to coordinate efforts to deport migrants who have been denied residency.

The issue came into stark focus last year when a failed asylum seeker from Tunisia who had been on a watch list allegedly drove a truck into a crowd at a Christmas market in Berlin, leaving 12 dead.

In Sweden, where about 200,000 people applied for asylum in the past two years, police have been overwhelmed by a steep rise in the number of deportation orders referred to them by immigration authorities. Police said that in the first 10 months of 2016, nearly 70% of the 6,647 people who were to be deported couldn't be located.

Confronting radicalized individuals from Central Asia comes with particular complications for European nations because they have nettlesome relations with Turkey and Russia, the two nations with some of the best intelligence on the region.

—*Neanda Salvaterra*  
in London, *Nathan Hodge*  
in Moscow and *Margaret Coker*  
in Istanbul  
contributed to this article.



A bit of ocean in the Maldivian capital, Malé, is the only place for residents to swim.

## The Island Paradise Where Many Locals Can't Swim

Development and urbanization diminish Maldivians' skill in the water

By *RAYMOND ZHONG*

MALÉ, Maldives—Water surrounds the island capital of this tiny Indian Ocean paradise—glittering, azure water that has exhausted many a travel writer's synonyms for "blue." So it's a problem that many people here can't swim.

"I should know how to swim," said Hassan Shiyam, a 33-year-old lawyer. "Being Maldivian, people think I'm at home in the ocean. But that's not the case."

For centuries, people in this archipelago of 1,190 coral islands earned a living fishing and collecting cowrie shells. Then deep-pocketed foreign visitors started showing up, and fancy resorts to house them. The luxury tourism boom has raised incomes and driven many islanders to seek education and opportunity in Malé.

Today, the capital, which sits on a less-than-one-square-mile speck of land, is an overstuffed metropolis of 150,000 people—nearly 40% of the country's population. More Maldivians than ever grow up without ready access to an open beachfront. And with drugs and gangs on the rise, parents who played in the ocean unsupervised as children are more protective of their own.

In a rough survey around five years ago, the Maldives

Lifeguard Association found that only 10% of 10th-graders could swim.

Shaahina Ali, 50 years old, who does volunteer work teaching schoolchildren about ocean life, says more of them nowadays have seen snow—in colder parts of the world, that is—than the coral reefs offshore.

"It's a side effect of rapid development," said Shiham Adam, director-general of the Marine Research Centre. "We're no longer as attached to the sea."

Ahmed Fariz Nizar, a 33-year-old university lecturer, has tried to rustle up fellow nonswimmers to learn together at sunrise, when fewer onlookers can watch them flail.

"When you see people swimming very well and enjoying the sea, it brings down [your] confidence," he said. "Such a simple thing, you can't do it."

Residents of the Maldives' less-developed outer atolls are still more likely than city folk to be swimmers. But their way of life—indeed, the very ground they live on—is under threat.

As rising sea levels erode white-sand beaches and cause saltwater to enter the groundwater, the government is engineering a sort of urbanization. It is building cheap housing on bigger islands to lure people away from smaller ones, where it has become uneconomical to maintain schools,

courts and health facilities—and build sea walls and desalination plants—for populations of as small as 106 people.

The aim is to empty out roughly a third of the 187 presently inhabited islands, said housing minister Mohamed Muizzu. The government can then focus on developing population centers such as Malé and its nearby island suburbs.

"We don't force people to migrate," Mr. Muizzu said. "It's only for the betterment of the communities."

Mr. Shiyam, the Malé lawyer, mostly agrees. But, he said, "People have migrated here and they've lost their identity. That's what happened to me."

After leaving the fishing and watermelon-growing island where he was born, his parents prioritized schoolwork over swimming.

Back then, more of the Malé shoreline was swimmable. Today, the city is built out to all edges. There aren't public pools. City dwellers must make do with a jellyfish-infested slice of ocean, protected by a breakwater, across the street from a diesel power plant.

"It's not safe," said homemaker Hana Ahmed Imad, as she watched her daughter's class. "The water is not clean sometimes. But there's nowhere else."

## Iran Cleric To Make A Run for Presidency

By *ASA FITCH*

DUBAI—Hard-line Iranian cleric Ebrahim Raisi said he would run in the presidential election next month, challenging an incumbent who has tried to engineer an economic turnaround and sought closer ties with the West.

Mr. Raisi, who serves as chief custodian of the Holy Shrine of Imam Reza in the city of Mashhad, confirmed his candidacy on Sunday and vowed to reinvigorate Iran's economy, according to a statement published by Iranian media.

"I deeply believe that this situation can be changed and that bringing back dynamism, prosperity and joy to people's lives is possible with the help of God," he said.

Though not widely recognized as a politician, Mr. Raisi is close to Supreme Leader Ayatollah Ali Khamenei, a proximity that could help him pose a serious challenge to President Hassan Rouhani.

Last year, Mr. Khamenei appointed Mr. Raisi as custodian of the Astan Quds Razavi, a charitable foundation that manages the vast Imam Reza shrine and associated endowments worth billions of dollars.

Mr. Khamenei has final say in most matters of state, and his preference stands to play a decisive role in polls set for May 19.

While the vote is ostensibly democratic, the Guardian Council must approve candidates for office, and previous voting results have been called into question.

In 2009, the disputed reelection of hard-line President Mahmoud Ahmadinejad touched off an unprecedented protest movement that was quashed by authorities.

Mr. Raisi spent much of his career in Iran's judiciary, which human-rights groups have accused of abuses, and he played a role in an infamous execution of thousands of political prisoners in 1988.

Mr. Rouhani, who succeeded Mr. Ahmadinejad as president in 2013, has made a priority of removing Iran from its economic and political isolation.

His administration negotiated Iran's landmark 2015 nuclear deal with six world powers including the U.S., giving the country relief from international sanctions in exchange for new curbs on its disputed nuclear program.

Mr. Raisi's emergence could jeopardize the continuation of those policies. He is thought in some quarters to be a candidate to eventually succeed the 77-year-old Mr. Khamenei, and a presidential term could prepare him with administrative experience.

"If he wins, that could help consolidate hard-line support and increase his chances of becoming supreme leader," said Behnam Ben Taleblu, a senior Iran analyst at the Foundation for Defense of Democracies.



A handout photo shows Ebrahim Raisi speaking in Mashhad.

That scenario could pose new challenges for Washington, given Mr. Raisi's background as a hard-liner more likely than Mr. Rouhani to confront President Donald Trump and resist the reintegration of Iran onto the world stage.

Mr. Rouhani is expected to formally announce his candidacy for re-election this week.

He has seen his popularity flag since the nuclear deal, as Iranians say they haven't felt sufficient economic benefits from the lifting of international sanctions.



A man wrote a message on a wooden board near the department store Ahlens in Stockholm on Monday.



WORLD NEWS

# Global Institutions Go to Bat for WTO

World Bank and IMF defend rules-based trading system against protectionism

By IAN TALLEY in WASHINGTON AND ANDREA THOMAS in BERLIN

Top global economic and finance institutions defended the role of the **World Trade Organization** on Monday, countering a Trump administration challenge some fear could undermine decades of rules-based order. The heads of the **International Monetary Fund**, the **World Bank**, the **Organization for Economic Cooperation and Development** and the **International Labor Organization** joined German Chancellor Angela Merkel, acting as this year's leader of the Group of 20 largest economies, in issuing a statement backing the WTO. "Trade policy cooperation and coordination are more than ever of utmost importance," said the statement, released at a conference in Berlin. The statement didn't men-

tion the Trump administration explicitly, but comes after U.S. President Donald Trump's trade team in March argued the case for disregarding some rulings of the WTO, the Geneva-based body that oversees most of the world's international trade disputes. "The WTO is essential in order to create new growth, employment and development opportunities on a global scale," especially amid disappointing trade growth and an upswing in protectionist tendencies, the statement said. The Trump administration's U.S. Trade Representative office declined to comment. Administration officials say the WTO has failed to uphold fair-trade principles, overlooking some countries' practices that distort cross-border flows of goods and services at the expense of jobs, industries and economic growth. U.S. officials have also discussed implementing new tariffs and other policies that other countries say might violate WTO agreements, but that Washington sees as necessary to rebalance distorted trade relationships. Many companies complain access to China's markets has

become more difficult in recent years. And trade-watchers are documenting a surge in nontariff barriers around the world. Worries about growing protectionism dominated a recent meeting of the G-20 finance chiefs. Economies should respond to trade tensions not by erecting barriers, but by seeking greater economic and financial integration to strengthen global economic growth, the IMF, World Bank and WTO said. WTO head Roberto Azevêdo, speaking in Berlin, warned countries against disregarding international trade rules, saying that would likely prompt retaliation by other nations. Instead, member countries should rely on his organization's toolbox of measures to deal with what some might regard as unfair trade conditions. "A strong global trading system centered on the WTO remains critical," the IMF, World Bank and WTO said in a joint report prepared for the Group of 20 largest economies and released Monday. "Trade does not need to be



IMF chief Christine Lagarde defends the WTO at a Berlin conference.

repressed, trade needs to be reinvigorated, trade rules need to be respected," said IMF Managing Director Christine Lagarde in Berlin. "If anything, trade needs to be supported." The three global institutions—each facing fights with the Trump administration over their respective roles in the world economy—said the WTO had proved to be a "powerful tool" for ensuring policies don't distort international trade. "Sustaining the dispute set-

tlement system" and reviving the WTO's negotiating role "is more important than ever," the report said. "Continued efforts in these areas would also discourage all types of protectionism, and further demonstrate that trade agreements provide a system of rules that is evenhanded to all." That isn't how the Trump administration sees it, however, saying the WTO has been a weak trade watchdog. "The American people grew frustrated with our prior trade policy not because they have

ceased to believe in free trade and open markets, but because they did not all see clear benefits from international trade agreements," the USTR's office said in March in its first report on the president's trade agenda. The system of rules governing trade hasn't delivered promised gains for U.S. workers or industries, the administration argues, pointing in particular to the massive trade deficits the U.S. maintains with China, Mexico and other major trade partners.

# Le Pen Blasted for Her Remark on French Holocaust

By Nick Kostov

PARIS—French presidential candidate Marine Le Pen faced strong criticism Monday over comments playing down France's role in the Holocaust, undercutting her efforts to broaden the hard-right National Front's appeal to mainstream voters. Ms. Le Pen on Sunday claimed that the French state wasn't responsible for the 1942 roundup of Jews, in which more than 13,000 people were arrested and kept in the Vel d'Hiv cycling stadium to be deported to Nazi concentration camps. "I think France is not responsible for the Vel d'Hiv," Ms. Le Pen said during a radio interview. "I think that, in general, if there are people responsible, it is those who were in power at the time. It is not France." Her comments two weeks

ahead of the French election drew swift denunciations from Israel and fellow politicians. France has struggled to come to terms with its role under the collaborationist Vichy government during World War II, but in the last two decades French politicians have widely acknowledged the state's involvement. In a statement on Monday, Israel's foreign ministry said it regretted that anti-Semitism "is raising its head again today." "This contradicts the historical truth as expressed in statements by French presidents who recognized the country's responsibility for the fate of the French Jews who perished in the Holocaust," the ministry said. Ms. Le Pen's rivals said the comments belied her efforts to distance her party from the legacy of her father, Jean-Marie Le Pen. Mr. Le Pen has re-



Marine Le Pen with her father, the former far-right National Front leader Jean-Marie Le Pen, at an agricultural fair in 2004.

peatedly said that the gas chambers in World War II were a "detail of history." Since taking over the party in 2011, Ms. Le Pen has tried to position it as a mainstream political force. She waged a high-profile battle in 2015 to oust her father from the party

he helped found decades ago. Her campaign posters have also omitted her last name and the party's tricolor flame, a symbol appropriated from Italian neofascism. Nonetheless, her campaign has continued to receive funding from a campaign finance

vehicle her father oversees. Late Sunday, Ms. Le Pen attempted to do damage control, releasing a statement that said the Vichy regime was an illegal interlude in French history and that the real French government was in exile in London. "This in no way exonerates the responsibility of French people who participated in the despicable Vel' d'Hiv roundup and all the other atrocities committed at the time," she added. Polls have for weeks shown that Ms. Le Pen and independent upstart Emmanuel Macron would top first-round voting and qualify for a second round face off on May 7, which Mr. Macron is predicted to win easily. Ms. Le Pen's poll ratings have slipped slightly in recent weeks as left-wing firebrand Jean-Luc Mélenchon has increased his share of the work-

ing-class vote that she was counting on. On Monday, Mr. Macron said Ms. Le Pen's comments showed that her party hasn't changed. "Some had forgotten that Marine Le Pen is the daughter of Jean-Marie Le Pen," he said. "It's the true face of the extreme right in France, it's the face that I'm battling against." Under Vichy, Jews suffered systematic persecution because of the government's collaboration with Nazi Germany. In all, some 76,000 French and foreign Jews were rounded up and sent to concentration camps. Only in 1995 did Jacques Chirac become the first French president to admit the French state's role in the fate of the Jews under Vichy. Current President François Hollande has also acknowledged broad French responsibility for the Vel d'Hiv operation.

# BOE's Libor Role Under New Scrutiny

By Jason Douglas

LONDON—A recording of an 8½-year-old phone call threatens to reopen a question that has dogged the **Bank of England** for years: How much did the central bank know about efforts to manipulate a key interest rate at the height of the financial crisis? The U.K.'s main opposition Labour Party on Monday called for a fresh investigation into the BOE's possible role in the rigging of the London interbank offered rate, or Libor, in 2008, after the **British Broadcasting Corp.** published a recording online of what it said was a private telephone call between bankers at **Barclays PLC** in which they discussed lowering their firm's Libor submissions in response to "serious pressure" from **U.K. government** and central-bank officials. A spokeswoman for Barclays declined to comment, adding that the bank doesn't know whether the recording is genuine or not. The Wall Street Journal wasn't able to confirm its authenticity. The emergence of the October 2008 call represents the latest twist in a long-running saga that has resulted in billions of dollars of fines for big global banks in the U.K. and the U.S., landed some bankers in jail and hurt the reputation of regulators who oversaw the financial system. At its heart is Libor, an interest rate at the time calculated from banks' own estimates of their cost of borrowing that was used as a benchmark for pricing everything from mortgages to corporate loans. Barclays paid \$450 million in fines in 2012 to U.S. and U.K. regulators after admitting

traders and managers had manipulated Libor. In the 2008 recording published online by the BBC's Panorama program, two bankers at Barclays are heard to discuss reporting borrowing rates to the Libor-setting panel that are lower than the bank's true cost of borrowing. One says that "we have some serious pressure from the U.K. government and the Bank of England about pushing our Libors lower." The rate became a closely watched gauge of financial-market stress as the crisis that ultimately sank the world economy into recession unfolded. The lower the Libor rate, the healthier individual banks and the broader system were perceived to be. The BOE denies any wrong-

doing. In a statement Monday, the central bank said that Libor and similar benchmarks weren't officially regulated in the U.K. or elsewhere in 2008 and that it continues to assist fraud investigators who are still probing the scandal. It said it plans to make public material related to the manipulation of financial-market benchmarks once these investigations are concluded. Nevertheless, John McDonnell, economy spokesman for the Labour Party, said the call obtained by the BBC represents "an extremely serious revelation" that requires the **U.K. Treasury** to sanction "an immediate high-level investigation." The U.K. Treasury said in a statement that the government "is absolutely clear that

we must learn from the lessons of the past," citing reforms in 2012 that have made manipulating Libor a criminal offense. The details of the call published by the BBC echo closely evidence heard in an earlier probe into the Libor scandal by the British parliament's treasury committee, which scrutinizes economic policy. In a 2012 investigation, lawmakers on the panel heard evidence that Barclays's Libor submissions had been discussed by former Barclays chief executive Bob Diamond and former BOE deputy governor Paul Tucker in October 2008. Both Mr. Diamond and Mr. Tucker denied the BOE instructed Barclays to lower its Libor submissions.



The Bank of England was cleared of wrongdoing in a 2012 investigation into Libor.

## WORLD WATCH

### SOMALIA Attacks Hit Soldiers, Government Official

A suicide bomber wearing an army uniform killed at least nine soldiers at a camp in Somalia's capital, authorities said, and a government official was killed by a bomb planted in his car. Al Qaeda-linked al-Shabaab claimed responsibility for the suicide bombing at the military training camp on the outskirts of Mogadishu. In another part of the city, a car bomb killed a civil servant, said a spokesman for Mogadishu's mayor, Abdifatah Omar Halane. On Sunday, an al-Shabaab car bomb outside a Mogadishu army base killed at least 15 people. The group has stepped up its attacks to challenge the new government after President Mohamed Abdullahi Mohamed gave a speech in military uniform declaring "war" on the insurgency. —Reuters

### CANADA Housing Starts Hit Highest Since 2007

Canadian housing starts hit their highest level in nearly a decade in March, driven by a surge in demand in the Toronto market and its surrounding communities because of shortages in resale listings and rental units. Housing starts increased 18.4% to a seasonally adjusted rate of 253,720 units in March, Canada Mortgage and Housing Corp. said Monday, marking the third straight month-over-month increase. Market expectations were for a rise to 215,500. The housing agency said starts reached their highest level since September 2007, reflecting a climb in single-detached and multiunit starts in Ontario, Canada's most populous province and home to

Toronto, the country's frothiest real-estate market. "A strong start to 2017 building sets the stage for continued momentum in residential investment, something we hadn't been counting on when we first outlined our annual forecast," economists at CIBC World Markets said in a note to clients on the housing-starts data. Nevertheless, the surge in housing starts, especially in Ontario, will add to heightened worries about the state of Toronto's housing market. Finance Minister Bill Morneau last week sent letters to local Toronto lawmakers, pushing them to take further steps to curb immoderate activity as worries about a possible housing bubble mount. House prices in Toronto surged nearly 29% in March on a 12-month basis. —Paul Vieira

### ITALY Mexican Ex-Governor Arrested In Florence

Italian police detained a former governor of a violence- and drug-plagued Mexican border state on charges of racketeering and money laundering, a top official at Mexico's attorney-general office said. Tomás Yarrington, the ex-governor of Tamaulipas state, had been a fugitive from Mexican justice for almost five years, the official said. Mr. Yarrington, who was detained on Sunday in Florence, also faces charges of drug trafficking and financial crimes in the U.S., where he was indicted in 2013. The U.S. indictment accused Mr. Yarrington of taking bribes from Mexican drug cartels and state contractors and laundering the money in Texas. Mr. Yarrington has said he is innocent and the victim of false politically tainted accusations. —Juan Montes



U.S. NEWS

# Town's Bet on Global Business Pays Off

Columbus, Ind., is an economic success based on its ability to pull foreign companies

By WILL CONNORS

COLUMBUS, IND.—When Chuck Corbin first traveled to Japan trying to sell this small town in southern Indiana as a manufacturing base, in 1984, he faced skepticism both at home and abroad.

Foreigners unfamiliar with the area saw that it was on a major interstate highway but weren't sure it was close enough to a transport hub. Locals worried about foreign companies taking business away from U.S. firms, and some, like Mr. Corbin's mother-in-law, had lingering distrust about Japan from World War II.

But he and others like him were successful. There are now 26 Japanese companies, and 36 foreign companies total, with operations in Columbus, a town of just 46,000 people and the hometown of Vice President Mike Pence.

Those companies employ nearly 9,000 people and are three of the top five taxpaying companies in town, according to the Columbus Economic Development Board. The city derives 50.6% of its local economic output from exports—the highest in the U.S., according to a Brookings Institution report in January.

"We never had dreams that it would go as far as it has," said Mr. Corbin, now 70 years old, who eventually made two dozen trips to Japan while representing his real-estate business and Columbus's economic-development board.

Columbus's big bet on international business is part of what makes this city about an hour south of Indianapolis an outlier in the region, which is still recovering from manufacturing job losses and the 2008 recession.

The city's unemployment rate of 3.5% is the second-lowest in Indiana and one of the 36 lowest in the nation. With a solid job market, good schools, and amenities more common in big cities—it is known as



**Teresa Woods, above, works on a Cummins engine at a local plant. Columbus, the 'Athens of the Prairie,' boasts public art, right, and a collection of modernist buildings by world-renowned architects.**

the Athens of the Prairie because of its world-renowned modernist architecture—it attracts a steady stream of highly educated graduates from local and international universities.

Much of Columbus's success rests on the shoulders of local engine-making giant Cummins, which invested in advanced manufacturing technologies earlier than rivals and made bettering the town a core priority decades ago.

"They're very proactive," said Kenta Takagi of the town's decision makers. Mr. Takagi is director of sales at Sunright America Inc., a local subsidiary of Japanese auto-supply manufacturer Sugiura Seisakusho Co. that supplies fasteners to Toyota vehicles. His company has expanded its operations in Columbus three times in the past six years. "We've never been turned down" for a tax-abatement or grant request.

Despite its strengths, there



are some strong crosswinds on the horizon for Columbus. The companies based here are primarily tied to the automotive sector, and thus vulnerable to changes in domestic car sales. And the city's biggest companies depend on open immigration and H-1B visas, issues that have been targeted by the Trump administration.

The cost of housing is high for lower-wage workers, and

the low unemployment rate also means there often aren't enough workers to fill jobs. Some companies have chosen to expand elsewhere in Indiana or the region.

"We've done a pretty decent job of attraction, but something tells me that the continued wave of investment of new companies to come here may have peaked," said Columbus Mayor James Lien-

hoop, who has made trips to Japan and China.

Since the 2008 recession, the top year for companies expanding operations in Columbus was 2013, when 18 companies did so, according to the Columbus Economic Development Board. Last year, seven companies expanded. Still, the town continues to send its delegation to Japan and China every year.

## Building Heritage Could Be in Danger

COLUMBUS, Ind.—This small city in southern Indiana was christened "The Athens of the Prairie" by Lady Bird Johnson due to its outsize stable of modernist architecture landmarks.

The town library was designed by I.M. Pei. A bank and a local church were designed by Eero Saarinen. Its small newspaper office was designed by Mies van der Rohe protégé Myron Goldsmith. The town was No. 6 on the American Institute of Architects list of most-innovative cities in 2012, behind giants like Chicago and New York.

And yet, for a city so well-known for its architectural heft, Columbus is missing something rather standard: a historic preservation law to protect its most famous buildings. The city's resistance to such a law is in part an aversion to government interference, and in part because someone always seems to come along when a building is in need.

Columbus depends on the goodwill of its residents and corporations based here to prevent landmark buildings from being demolished or repurposed. Now many of Columbus's modernist buildings are starting to show signs of aging and some city leaders and preservationists are worried about their future without any formal protections and the town's reputation as a design mecca.

"If we don't start protecting the modern architecture pieces that we have, they could very well disappear," said Tracy Souza, president and chief executive of Columbus's Heritage Fund, the town's umbrella charity organization. "That asset that's created an economic architecture tourism industry for us could go away. We could be known as the town that ruined modern architecture. That's not where we want to go."

—Will Connors

## U.S. WATCH



**BONFIRE:** People take part in a Jewish religious ceremony before the start of Passover in Brooklyn, N.Y.

SUPREME COURT

## Trump Sings Praises Of New Justice

President Donald Trump praised new Supreme Court Justice Neil Gorsuch during a White House swearing-in ceremony as a jurist who will rule "not on his personal preferences but based on a fair and objective reading of the law."

In the Rose Garden ceremony on Monday, Mr. Trump said Americans would see in Justice Gorsuch "a man who is deeply faithful to the Constitution of the United States" and predicted greatness for the 49-year-old former appeals-court judge from Colorado.

"I have no doubt you will go down as one of the truly great justices in the history of the U.S.," Mr. Trump said.

The president noted that the successful nomination came during his first 100 days in office and added: "You think that's easy?"

Justice Gorsuch, who restores the court's conservative majority, was sworn in during the ceremony by Justice Anthony Ken-

nedy, for whom he once served as a law clerk. It was the second of two oaths—the first was conducted privately in the Justices' Conference Room by Chief Justice John Roberts.

In remarks in the Rose Garden, Justice Gorsuch said he was humbled by his ascendance to the nation's high court and thanked his former law clerks, saying "your names are etched in my heart forever."

—Associated Press

AIRLINES

## Carriers Improve, but Complaints Remain

Airlines are getting better at sticking to their schedules and are losing fewer bags, and their customers seem to be complaining less often.

Those are the findings of an annual report on U.S. airlines' quality released Monday by researchers at Wichita State University and Embry-Riddle Aeronautical University.

Many passengers may have trouble believing those conclusions, however.

In just the past few days Delta Air Lines suffered a multi-day meltdown—canceling more than 3,000 flights after a one-day storm in Atlanta. And on Monday, United Airlines was in the spotlight after a video showed security agents dragging a man off a plane; he had refused to give up his seat on a flight that United overbooked.

"People don't look at the numbers," acknowledged Dean Headley, a marketing professor at Wichita State and co-author of Monday's report. "They just know what happened to them, or they hear what happened to other people."

The researchers used information compiled by the U.S. Department of Transportation to rate the airlines for on-time performance, baggage handling, bumping passengers off oversold flights and complaints filed with the government.

They judged Alaska Airlines to be the best U.S. carrier, followed closely by Delta. Frontier Airlines ranked last, followed by another discount carrier, Spirit Airlines.

—Associated Press

# Post-College Success Data Fail to Present Full Picture

By MELISSA KORN

As tuition costs continue to rise and states rethink their investments in higher education, colleges are under increasing pressure from prospective students and lawmakers to disclose outcomes like on-time graduation rates and earnings potential for particular majors.

The information now available is often incomplete—or even outright wrong. But efforts are under way to change that, even if progress is slow.

One example of fuzzy math: The main nationwide graduation rate published by the Education Department, currently just shy of 60% for bachelor's degrees completed in six years, considers only students enrolled in college for the first time, and on a full-time basis.

That leaves out students like Ari DeAundre Jones, a neuroscience major at Georgia State University who expects to finish his undergraduate degree this spring. Mr. Jones spent two years at Temple University, then enlisted in the U.S. Navy before landing at Georgia State.

Nonprofit organizations, states and departments within the federal government are trying to offer more-comprehensive measures of success. They are taking into account part-time, minority and transfer students; considering more qualitative measures of success; and even starting to track students who move across state lines.

Last year the University of Texas System announced a plan to work with the U.S. Census Bureau to track what happens to graduates who move out of state. And an accrediting agency that serves as a gatekeeper to federal funds for schools in California, Ha-

waii and some U.S. island territories now requires schools to submit details about how many students graduate and how many credits they earn.

But such initiatives often are crippled by red tape and geographic limitations, as well as by some schools' reluctance to share unflattering information about how well they serve their students.

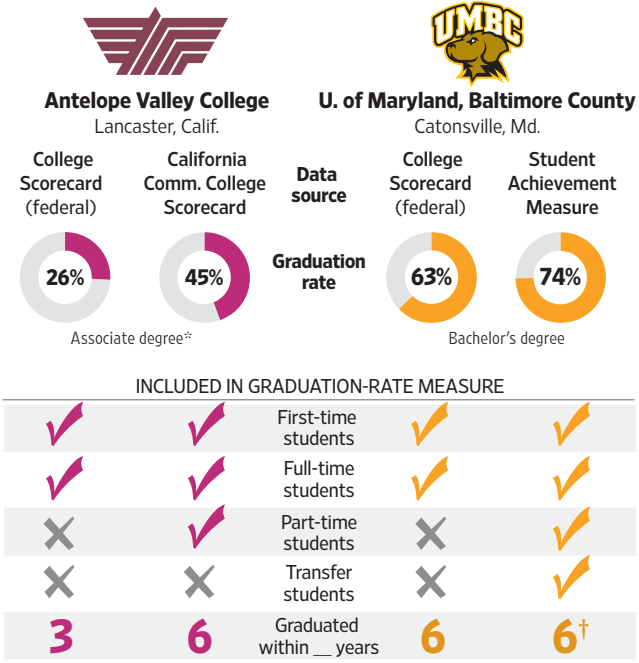
The Clearinghouse, for example, which collects data from schools that enroll more than 98% of students nationwide, runs comprehensive reports on student outcomes only by agreeing not to share school-specific results publicly.

The Education Department has extensive information on enrollments, retention, student-loan-repayment rates and more. And the Labor Department and other agencies track employment and earnings. The federal government shares some of that via the College Scorecard, first released in 2015 and updated annually.

"The landscape has changed a lot in the last two years," said Amy Laitinen, director for higher-education policy at the New America Foundation, a left-leaning think tank. "All of these communities recognize the black box we've had on student outcomes is unacceptable."

## Measuring Up

The graduation rate of a single college can vary depending on the source of the data.



\*The California Scorecard figure includes degree, certificate and transfer-related outcomes †Includes students who graduated from other schools; includes 10-year graduation rates for part-time students

Sources: Education Department (College Scorecard); California Community Colleges; Student Achievement Measure



U.S. NEWS

# Agencies Strain Under a Hiring Freeze

Benefit-claims backlog grows at veterans' agency; about 10% of prison jobs unfilled

By **BETH REINHARD**  
AND **REBECCA BALLHAUS**

President Donald Trump's hiring freeze for federal agencies is threatening to compromise the safety of correctional officers, delay payments to veterans and prevent disabled and retired Americans from getting their Social Security checks on time, union officials and government workers said.

Federal agencies typically lose about 10% of their workforce every year, and, nearly three months into Mr. Trump's administration, the freeze's impact is beginning to be felt.

About one out of 10 positions at the Bureau of Prisons is vacant, according to a spokesman. At some facilities, medical personnel are working additional overtime, and correctional officers are spread more thinly, prison officials and workers said.

In mid-March, Veterans Affairs Secretary David Shulkin ordered that jobs tied to processing benefits claims wouldn't be affected by the freeze. But the previous six weeks of no hiring, combined with high turnover and increased claims, recently pushed the backlog of veterans' claims to more than 100,000. The backlog was more than 600,000 in early 2013 before the department got it below 100,000 starting last year.

Mr. Trump's Jan. 23 order, issued on his first full working day in the White House, also



cause they are often hired by the federal government, and make up about one-third of the federal workforce. Moreover, the VA, which administers benefits to veterans and their families, also has an unusually high number of vacancies to fill—45,000, of which 37,000 were exempted from the hiring freeze, according to Mr. Shulkin.

Worried about unfilled vacancies, Eric Young, the head of the union representing correctional officers, asked for a tour of the prison in Lompoc, Calif. On the tour, Mr. Young said he was told one officer was supervising about 180 inmates and another was in charge of 400 inmates spread across three floors. He said the standard correctional officer routinely guards no more than 130 inmates, and the ratio is half of that in high-security prisons.

"It reminded me of the ever-present danger our officers face daily," Mr. Young said. "The administration, with the power of the purse, is playing around with our ability to maintain safe prisons."

A spokesman for the Bureau of Prisons, Justin Long, said the agency "continues to operate safe and secure federal prisons all across the country."

Mr. Long noted that federal prisons are less crowded because the inmate population has fallen from a high of nearly 220,000 inmates in 2013 to fewer than 190,000 today. He declined to answer specific questions about staffing guidelines at Lompoc or other locations, saying it varied depending on the levels of security and medical care.

—Ben Kesling  
contributed to this article.

**Backlogged Veterans Affairs claims are again on the increase. Above, a line to fill prescriptions at a VA pharmacy in California.**

prolonged a hiring freeze at the Social Security Administration, which has been hit by budget constraints in recent years. Offices are operating fewer hours and with longer lines, union officials said.

In attempting to fulfill one campaign promise—to "drain the swamp" and reduce the size of the federal government—Mr. Trump, a Republican, is potentially undermining other promises.

Those include his pledges to champion veterans and law enforcement. In some cases, the

freeze is disproportionately affecting voters who propelled Mr. Trump into office, including the 60% of veterans who voted for him over Democrat Hillary Clinton, according to exit polls.

If every worker at the Trump Hotel left the front desk, Mr. Trump "would hire new front desk people to register those guests," said J. David Cox Sr., president of the American Federation of Government Employees, the largest federal employee union. "You can't run a business and you can't run a

government with a hiring freeze."

The White House referred requests for comment to the Office of Management and Budget, which didn't respond to questions.

Some conservatives have defended Mr. Trump's order, saying the workforce is bloated and the administration needs time to look for efficiencies.

"The administration has a very significant plan to reform government," said Rachel Greszler, senior policy analyst in economics and entitlements

at the conservative Heritage Foundation's Center for Data Analysis. "It doesn't make sense to be putting people in place in agencies they might reform down the road."

Mr. Trump's memo called for a 90-day freeze, after which the budget director was to recommend a "long-term plan" to cut the workforce. But Mick Mulvaney, the president's budget director, wasn't confirmed until 25 days after Mr. Trump's memo.

Veterans are heavily affected by the freeze, experts said, be-

## Administration Plays Down Shake-Up Talk

By **CAROL E. LEE**

The White House sought to play down rifts among senior staff that led President Donald Trump to consider a major shake-up of his team.

White House press secretary Sean Spicer said Monday that part of the reason Mr. Trump assembled his current team of advisers is because they come from a "variety of backgrounds." Mr.

Spicer said the president expects them to work together to push forward his agenda.

"He doesn't want a monolithic thought process going through the White House," Mr. Spicer said of the president. "He wants a diverse set of positions."

Mr. Spicer said the idea of a shake-up is "overblown," though he didn't deny internal friction when presidential about infighting between

his son-in-law and senior adviser Jared Kushner and his chief strategist Steve Bannon. He said sometimes disagreements among staff spill into public, and that was the reason Mr. Trump has told Messrs. Kushner and Bannon to work out their differences.

Deputy national security adviser Kathleen "K.T." McFarland is also leaving the White House, a senior administration official said.

She has been offered the job of ambassador to Singapore.

The Wall Street Journal reported Friday that Mr. Trump is considering a major shake-up of his staff after a tumultuous beginning of his term.

Mr. Trump has become increasingly unhappy over feuding that in the West Wing and is determined to see it end, a senior administration official said.

## BHP

*Continued from Page One*  
en a day but has dragged on the profits amid a prolonged crude-price downturn.

Elliott said BHP's U.S. shale assets are "extremely limited" and drain cash from the company's "world-beating mining assets," especially in iron ore—the price of which has risen in recent months on Chinese demand.

Elliott, which initially contacted BHP management last year, also called on the miner to ditch its dual Sydney-London listing and offer its shares only in the U.K., while making its headquarters and tax residences in Australia. BHP's U.K. shares trade at a discount to its Australian shares now, Elliott said, arguing that listing in one place would allow the company to take advantage of certain Australian tax credits.

Elliott also said BHP should adopt a consistent plan of buying back shares rather than using cash for what it called "value-destructive" large-scale acquisitions.

BHP is a particularly large target and Elliott's 4.1% share of the company's London stock—worth about \$1.4 billion—is among its largest single bets ever.

In response, BHP said its energy business wasn't hurting the company's overall value and was a long-term investment.

BHP Chief Executive Andrew Mackenzie has called its oil and gas assets one of the company's four pillars.

BHP said its dual-listed structure was under review, but people familiar with the matter said the move would hurt Australian investors in favor of those who hold London-listed shares, sparking a political fight in Australia, where BHP is among the largest companies.

The company believes El-

liott doesn't understand the costs of certain tax issues involved in its proposal, the people said.

BHP called Elliott's share-buyback plan "a formulaic approach without regard for the cyclical nature of the resources industry or the returns available from other uses of cash."

"After reviewing the elements of Elliott's proposal, we have concluded that the costs and associated risks of Elliott's proposal would significantly outweigh any potential benefits," BHP said.

Elliott believes the company is underselling the value the moves could create, according to people familiar with the matter.

In several months of high-level discussions, the fund found the company willing to talk over many of its concerns, the people said.

Nonetheless, they said, Elliott believes the math works in its favor and wants to win over other investors to its

value."

Shares in BHP rallied late in the Australian trading day, closing 4.6% higher. In London, they gained 2.2%.

Elliott is also the latest big investor with an outside voice to wade into a resurgent mining industry. Indian

*Elliott Management said BHP should adopt a consistent plan of buying back shares.*

plan.

Elliott said it was releasing its ideas to the public so the company "can engage openly with all parties on the plan to unlock shareholder

billionaire Anil Agarwal last month bought about 12% of British mining giant Anglo American PLC, while Harris Associates, a Chicago hedge fund with a history of activ-

ism, took a large stake in Glencore PLC in 2015, just before that miner launched a rescue plan.

In its news release, Elliott noted that BHP has underperformed its peers. BHP's London shares are up about 0.73% this year, compared with 3.28% for Rio Tinto PLC, more than 6% for Anglo American and almost 15% for Glencore.

Big corporate restructurings aren't foreign to BHP. In 2015, the company spun off a collection of nickel, aluminum, coal and manganese assets into South32 Ltd., one of the largest corporate breakups in mining history. South32's shares are up 8% in 2017.

## White House Gives Syria Warning

By **BEN KESLING**  
AND **CAROL E. LEE**

WASHINGTON—The use of barrel bombs by the Assad regime in Syria could trigger a U.S. response, the White House said Monday in what appeared to be a significant change in U.S. policy by drawing a new red line in the conflict.

White House press secretary Sean Spicer said that barrel bombs, in addition to chemical weapons, now are weapons which can trigger a U.S. response.

The pronouncement is likely to escalate the confrontation between Washington and Damascus, as Mr. Assad's military frequently uses the crude and effective weapons, typically explosives and shrapnel packed into containers such as old oil drums.

The change in policy comes just days after Mr. Trump ordered military strikes against a Syrian air base in response to Mr. Assad's use of banned chemical weapons.

"The sight of people being gassed and blown away by barrel bombs ensures that if we see this kind of action again, we hold open the possibility of future action," Mr. Spicer told reporters at the daily press briefing.

He later added: "I will tell you, the answer is that if you gas a baby, if you put a barrel bomb into innocent people, you will see a response from this president."

Mr. Spicer wouldn't say how Mr. Trump might respond but said the use of chemical weapons or barrel bombs "is unacceptable."

Mr. Assad repeatedly has been criticized at the United Nations for his use of barrel bombs and indiscriminate attacks on civilians.



**Elliott wants BHP to end its dual listing in Australia and the U.K. Above, the company's shareholder meeting in London in October.**



IN DEPTH

GAMERS

*Continued from Page One*  
contracting firms are in the credits of “Final Fantasy XV,” released in November by Square Enix Co.

The videogame industry’s contractor-heavy model resembles Hollywood studios, which hire temporary workers ranging from directors to actors to publicists to make a film and have few long-term obligations after its release.

The difference between games and movies is that long-time work practices and unions in Hollywood provide a safety net for many actors and writers, whether on the job or between projects. People who make videogames are often hired quickly through Craigslist and gaming website Gamasutra or by word-of-mouth—and then are let go just as fast.

At the end of some subcontracting chains are 16- and 17-year-olds working from their bedrooms or school libraries. Ryan Morrison, a New York lawyer who represents game companies and developers, said he has drafted about 500 contracts in the past three years that required parental consent.

Companies say the result is just-in-time production fueled with human capital. By outsourcing low-value work or renting high-value expertise needed for a short time, game makers like Psyonix can focus on what they do best.

Outsourcing means studios “can in fact make very large games while still staying small,” Anton Wiegert, the head of outsourcing at Guerrilla Games, owned by PlayStation console maker Sony Corp., wrote in an essay in 2014.

Revenue from videogames hit \$75 billion last year, double the world-wide sales from movie tickets, according to PricewaterhouseCoopers LLP, the auditing and consulting firm.

The videogame business is emblematic of a wider shift toward project-based work. Casey O’Donnell, a game developer and game-studies professor at Michigan State University, said the industry “is a decade ahead of where a lot of other industries are going.”

In the white-collar world, pharmaceutical companies are already packaging drug development into projects led by a team of employees who oversee a larger, mutable cast of outsourced research firms. Law firms are doing the same thing with complex litigation cases.

The shift is happening so fast that the federal Bureau of Labor Statistics recently proposed adding “project management specialist” next year to the official list of job titles used to track the workforce.

While companies clearly benefit from the flexibility of such arrangements, workers often reap less in the bargain. Adrienne Hunter, 30 years old, said she was a contract worker for Nintendo Co.’s U.S. subsidiary on and off for six years, mostly doing quality-assurance testing. She said permanent jobs there rarely came open and offered few advancement opportunities.

When dozens of testers crowded through the exit of the high-security room to take company-mandated breaks from trying games that were about to be released, the testers sometimes mooded to show they felt



ARIANA DREHSLER FOR THE WALL STREET JOURNAL

like cattle, Ms. Hunter said. She now works as a design director at a virtual-reality startup.

Nintendo spokesman Charlie Scibetta Sr. said the company treats “all people with the same respect, regardless of their employment status.” The game maker uses “a hybrid approach of full-time and contractor positions so we can staff up quickly when needed,” he said.

Mr. Scibetta said about one-third of Nintendo’s full-time, entry-level positions in the past five years were filled by former contractors.

Many companies play down their use of outside labor to encourage the perception that they alone created the technical wizardry in their games. Game developers said outsiders are sometimes required to sign “secret team” contracts in which they agree to be left out of the game’s production credits.

About 20 years ago, when the first versions of “Tomb Raider” and “Grand Theft Auto” were highly popular, companies directly employed almost everyone who worked on their games. Game creators staffed up with artists specializing in 3-D modeling and programmers capable of writing code for game consoles, personal computers and then online.

Teams at some stages of the production process ballooned, but it was tough to keep everyone busy, said Scott Hartsman, chief executive of Trion Worlds Inc., best known for the fantasy role-playing games “Rift” and “Trove.”

Layoffs often hit after a game was released, which was hardest on workers who were let go and damaged morale for those who stayed. “It was like ‘Welcome to the family!’” he said. “Then we released the game, and it was ‘See you later!’” Outsourcing became a solution to the hire-and-fire cycle, Mr. Hartsman said.

In 1995, Psyonix’s Mr. Hagewood dropped out of North Carolina State University in Raleigh to run a web-hosting company. He wound up working as a “modder,” or someone who modifies game code to add custom features, at Epic Games Inc., of Cary, N.C.

Mr. Hagewood, then 28, helped Epic Games modify Unreal Engine, a software tool that helps developers build intricate

visual worlds. For two years, he also closely observed CEO Tim Sweeney, other executives and game designers for lessons on how to run his own game maker someday.

“I always liked vehicles that could jump,” Mr. Hagewood said.

He started Psyonix in 2001 and kept the fledgling company alive with contract work for larger studios that wanted help satisfying demand for visually dazzling, multiplayer games.

It was hard to ensure a steady flow of work. Mr. Hagewood said clients sometimes canceled games with little notice or failed to meet deadlines. Taking on more projects could swamp his small workforce if too many games went forward at the same time.

Contracting can be a brutal way to make money. Publishers wary of investing too heavily in a game that might never make

mium PlayStation subscribers.

“Rocket League” downloads surpassed Psyonix’s forecast within hours of its release in July 2015. Servers hosting the game’s software crashed.

Mr. Hagewood emailed former colleagues at Epic Games and asked whom they turned to when in need of outsourced help. Psyonix had 36 employees at the time.

As the game’s popularity has grown, so has Psyonix’s use of outside help. Panic Button LLC, of Austin, Texas, converted the software in “Rocket League” for use on Microsoft Corp.’s Xbox and Sony’s PlayStation 4 Pro.

Panic Button has 25 employees, including engineers and artists who work on projects for as many as six clients. Temporary workers on month-to-month contracts plug staffing holes.

“It would be ideal if one project ended while another

capacity. Some players have complained that server problems are kicking them out of the game and making it hard to join matches.

Quality control constantly nags at Mr. Hagewood. He disliked feeling micromanaged when Psyonix did outsourced work for other game makers. But contractors don’t always deliver at the pace they promise and sometimes farm out work to another company or group of developers, even though contracts often prohibit subcontracting or require approval, he said.

The company’s previous testing contractor, Digital Hearts USA Inc., this month began reclassifying independent contractors as employees.

Eric Kwan, quality-assurance director at the Torrance, Calif., company, a unit of Japan’s Hearts United Group Co., said the change will help Digital Hearts retain its best testers.

Until now, “if someone else offered them an employee position, they’d most likely take it, and they’d be smart to take it,” Mr. Kwan said.

It can take longer for Psyonix to solve problems because employees and contractors usually don’t communicate face-to-face. The contractors are spread across multiple time zones.

From noon to 9 p.m. Central time, Ana Morazán answers players’ questions about “Rocket League” from the second-floor study of her family’s home in Tegucigalpa, Honduras. She works for 5CA, a customer-service outsourcing firm based in Utrecht, Netherlands, earning \$7 an hour, about double the average in Honduras.

Ms. Morazán, 24, has little contact with Psyonix employees beyond seeing occasional notes from them in a shared database where customer-service agents log information and updates. She often chats online with colleagues and managers at 5CA.

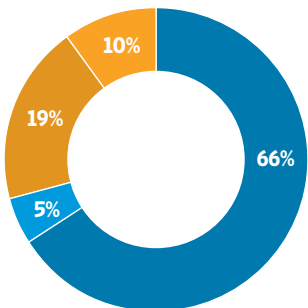
“I don’t feel like I’m alone,” said Ms. Morazán, who has begun playing “Rocket League” in her off time.

Outsourcing helps Mr. Hagewood preserve the close-knit culture at Psyonix. On Friday nights, employees have dinner and “wrap-up” meetings, often staying late to drink beer and battle in Nintendo’s “Super Smash Bros.” while sprawled on

Extra Lives

More than 25% of videogame developers aren’t employed by a company, a survey showed.

- Permanent employee
- Temporary employee
- Self-employed
- Freelancer/independent contractor



Source: Developer Satisfaction Survey conducted by International Game Developers Association in 2016 (voluntary survey, not a statistically selected sample)

THE WALL STREET JOURNAL.

**Art-team employees at Psyonix’s headquarters in San Diego. The company relies on contractors around the world to help keep ‘Rocket League’ humming.**

four tattered recliners.

During the workday, employees’ dogs, with names like David Bowie and Gary Bussey, amble around the office or lay by their owners’ feet. Employees catch up in the office kitchen while helping themselves to Red Bull or coconut water from the refrigerator and beef jerky from the walk-in snack closet.

Psyonix said contractors aren’t necessarily cheaper than employees because overseeing outsourced labor is so time-consuming.

For every new contract arrangement, Psyonix must hire or assign someone to manage the work. On the other hand, renting labor only when it is needed means the company isn’t “paying for someone’s downtime,” Mr. Hagewood said.

The debate over contractors versus employees never ends because videogame production costs are high, prices are stagnant, players are fickle and the industry is awash with talent. Psyonix won’t disclose its revenue from “Rocket League” beyond the game’s first year or how much its profits are.

When Mr. Hagewood wanted to outsource some “Rocket League” art to China, where contractors churn out game characters, his art team in San Diego vetoed the idea. The employees were concerned about the quality of outsourced work and wanted to feel ownership of all the art in the game.

“We’re always evaluating,” Mr. Hagewood said.

Greg Nichols, Psyonix’s quality-assurance manager, raised the idea of sharply expanding the six-person, in-house team of testers to keep up with the exploding number of “Rocket League” updates and software patches shortly after the game was released.

Mr. Hagewood eventually approved hiring three employees. “Dave just didn’t want to spend money on stuff unless we absolutely had to,” Mr. Nichols said.

Mr. Hagewood said outsourcing is the best way to keep “Rocket League” from causing Psyonix to grow too big or too fast.

“It’s always a question of growth,” he said. “Do we want the team to grow, or is this just a short-term burst?”

—Sarah E. Needleman contributed to this article.

LOTTE

*Continued from Page One*  
founder, Shin Kyuk-ho, was so moved that he eventually named his new chewing-gum company for its character in 1948.

Over the course of nearly seven decades, the company has grown to become one of the region’s most ubiquitous brands, spanning chemicals, insurance, construction, movie theaters, luxury hotels and the Korean franchises of 7-Eleven and T.G.I. Friday’s.

Two professional baseball teams, one in Japan and one in South Korea, bear Lotte’s name, as does a chain of hamburger joints, Lotteria, which has more than 1,000 locations in South Korea alone.

When Marla Stukenberg, who runs the Korea branch of the Goethe-Institut, Germany’s overseas cultural association, arrived in Seoul last year to take up her post, she was shocked to see the Lotte name on buildings and billboards.

“When I got to the airport, I saw Lotte, Lotte, Lotte, and I thought, ‘What is this?’ Can it

be? Is this just a coincidence?” Ms. Stukenberg recalls.

As the company navigates one of the rockiest periods in its history, Goethe’s anguished tale has served as a “spiritual and moral guide,” says Park Hyun-chul, senior managing director of Lotte Corp., in an interview.

Executives like Mr. Park and the Lotte founder’s son, current Chairman Shin Dong-bin, say they were struck by the intensity of the passion that Werther felt for Charlotte, and the fact Charlotte was so beloved that men would die for her.

“We want Lotte to be beloved by everyone, just like Charlotte was,” Mr. Park says.

The obsession with Goethe’s tale of unrequited love has deep psychological roots, say scholars, who point to the Korean concept of *han*, or unresolved sorrow.

One of the country’s longest-running musicals, “Werther,” was written by a Korean playwright who fell in love with Goethe’s tale. Produced by CJ Group, a spinoff of the Samsung business empire, “Werther” has played for 15 years.

Lotte Group puts a copy of “The Sorrows of Young

Werther” in guest rooms in most of its 24 hotels around the world (though not in the Lotte Palace hotel in Midtown Manhattan). At the high-end Lotte Hotel in downtown Seoul, a two-story-tall illuminated gold-hued statue of Charlotte stands in a glass case.

In recent years, the company has slapped the full “Charlotte” name on premium-label goods, like a brand of chocolate bars.

Starting in 2015, the Lotte Group began experiencing some serious *Sturm und Drang*

as it lurched from one mishap to the next. A bruising succession fight between two sons of Mr. Shin, now 94, played out in public view, derailing a planned initial public offering of Hotel Lotte Inc. that was to be South Korea’s biggest ever.

Lotte was implicated as one of the conglomerates that donated money to entities allegedly controlled by a friend of the president, a political scandal that led to the South Korean president’s downfall. The company denies wrongdoing. Separately, prosecutors brought corruption charges against five family members, including the chairman and the feuding sons.



Shoppers at a Lotte Mart in Seoul. The Korean-Japanese conglomerate is navigating one of the rockiest periods in its history.

In both cases, currently in the courts, the company or individuals accused denied wrongdoing.

To top it off, Lotte this year became the target of raucous protests by Chinese nationalists, who uploaded videos of themselves ripping up Lotte products in stores. One person filmed himself plowing through a pile of Lotte snacks with a bulldozer. The Chinese protest, which included boycotts of Lotte products, came after the company made a deal that allows the U.S. military to put a missile-defense battery on a Lotte golf course in southern South Korea.

Company executives say Goethe’s tale has provided some perspective. At Lotte World Tower late last year, Mr. Park, the Lotte executive, unveiled a 17-foot bronze statue of Goethe, a \$1.4 million replica of a marble statue in Berlin’s Tiergarten. Within days, there was a bright spot for the company: Lotte was awarded a new duty-free license by the Korean government.

“It’s a good-luck charm,” says Mr. Park, who first read “The

Sorrows of Young Werther” about 30 years ago. He says he was struck by how unlike a typical love story it was. “I felt the anguish of not being able to fulfill your dreams,” he says.

The elder Mr. Shin has said he was deeply moved by the book’s theme of hopeless, tragic, unresolved sadness, a Lotte spokeswoman says. Despite Werther’s impassioned pleas for Charlotte’s hand, she marries another. Werther considers challenging her fiancé to a duel, but instead kills himself.

Before the founder became a chewing-gum magnate, he had wanted to be a novelist or a poet, says his son, the younger Mr. Shin, and penned fiction while studying in Tokyo.

For the younger Mr. Shin, another work by Goethe has had a deeper personal impact. He prefers “Faust,” a poem about a man who sells his soul to the devil in exchange for knowledge.

Mr. Shin, who wrested control of the business empire from his older brother, argues that, even though Faust makes a pact with an agent of Satan, “he is hardworking and tries to find the truth, and that is very important.”



# LIFE & ARTS

**BONDS: ON RELATIONSHIPS** | Elizabeth Bernstein

## The Kinder, Gentler Intervention

There is new thinking on a traditional therapy; when friends and family gather to confront a loved one with problems, therapists recommend a softer approach and stepping in before someone hits rock bottom

**AT 3 P.M.** on a Saturday, John Shuchart was reading in his study at home in Leawood, Kansas, when he saw something that shocked him: His two adult children, who lived in other states, standing in the doorway.

"Hi Dad, we're here to do an intervention," his son said.  
Mr. Shuchart, an insurance-company executive at the time, had been depressed for several years and was not functioning well. He spent most of his time alone at home, often got lost when he did go out, even driving a mile to the grocery, and was bouncing checks. His wife had asked their children to come address him as a family.

For the next seven hours, Mr. Shuchart's wife and children talked frankly and he listened. They told him he had completely disappeared from their lives and that they were worried. And they said they were creating "Team Shuchart" to manage his recovery. He barely got a word in.

"I was raked over the coals, but in a loving way," says Mr. Shuchart, who is 67. Mr. Shuchart started talking to his children at regularly scheduled times, being more careful to take his medicine, making social plans and exercising. He went on to write a book about his experience with depression, and created a foundation for mental-health advocacy.

Are you worried about a loved one?

Maybe he or she is overeating or not following up on important doctor advice, spending too much, smoking excessively, lying or dating the wrong person.

Long used to encourage people with drug or alcohol addictions to get treatment, planned group interventions are increasingly being staged by family members and friends to support loved ones struggling with other issues.

"Whenever a person you care about is acting in a way that diminishes them, an intervention can be appropriate," says Paul Hoke-meyer, a licensed marriage and family therapist based in New York. A group approach can be effective because it magnifies the message—"we are all concerned about you"—and offers the person who is struggling a support network to rely on, he says.

These days, many therapists recommend a gentler, kinder model of intervention that honors rather than shames the person. The family intervenes early, rather than

waiting for their loved one to spin completely out of control. They invite the person they are worried about to the intervention, rather than broadsiding him or her with a room full of concerned people ready for confrontation. That can be traumatizing and risks the person's anger and resentment. And they avoid ultimatums.

People often hesitate to intervene because they believe that if the person hasn't hit rock bottom, or doesn't want to change, the intervention won't be successful. They also worry they aren't equipped to help. These are myths, says Brad Lamm, founder of the Breathe Life Healing Centers, in Los Angeles, and author of "How to Help the One You Love," who has led more than 500 interventions as

a professional counselor.

Once you decide you want to intervene and encourage a loved one to change, you first need to identify the family members and friends who will participate. "You are building a beautiful board of directors who will help this person," says Mr. Lamm.

Everyone should then reflect on three factors: What troublesome behavior have they seen from the person they want to help? What are their fears for the person? And what are their hopes? It may help people to put

these thoughts in writing.

Next, invite your loved one to a family meeting, ideally by asking them in person. Mr. Lamm uses a general script: "We love you and have been really worried. We are having a meeting about this. You are invited and we hope you will come." "With the invite, we give the person space to wrap their head around what is happening."

At the meeting, it is important to be supportive and positive. "An intervention is not bullying," says Mr. Lamm. It is the notion of strength in numbers, of applying

group pressure to ask how we can help you change. Let each family member and friend talk about what they see, fear and hope for their loved one. Ask questions that will hopefully elicit a short, affirmative response: "Are you willing to change?" And identify steps the person can take to start to change. The goal is to be supportive, not judgmental, Mr. Lamm says.

"Be ready for the person to say no, but know that there is a yes behind it," says Mr. Lamm. "And that the voices that matter to a person can really help."

*Write to Elizabeth Bernstein at [elizabeth.bernstein@wsj.com](mailto:elizabeth.bernstein@wsj.com) or follow her on Facebook, Instagram or Twitter at [EBernsteinWSJ](https://www.facebook.com/EBernsteinWSJ).*

DAVID BAMUNDO/THE WALL STREET JOURNAL

### CIRCUSES

## ELEPHANT PUPPETS TAKE OVER THE BIG TOP

BY JOHN JURGENSEN

**THE FAUX ELEPHANTS** of Circus 1903 don't make a mess or require feeding. They get packed into crates to travel between cities and have no ethical baggage. But they can stir up a crowd like the real thing.

When the big elephant Queenie lumbered onto a stage in Chicago recently, followed by a gamboling baby called Peanut, the audience cooed and clapped for the life-size puppets as much as the six humans operating them.

Controversy over live performing elephants turned the biggest symbol of the circus into a liability for traditional shows. Bowing to pressure from animal-rights groups, the 146-year-old Ringling Bros. and Barnum & Bailey Circus removed elephants from its shows last year. That hastened a decline in ticket sales, the company said, forcing the circus to shut down completely after its final shows in May.

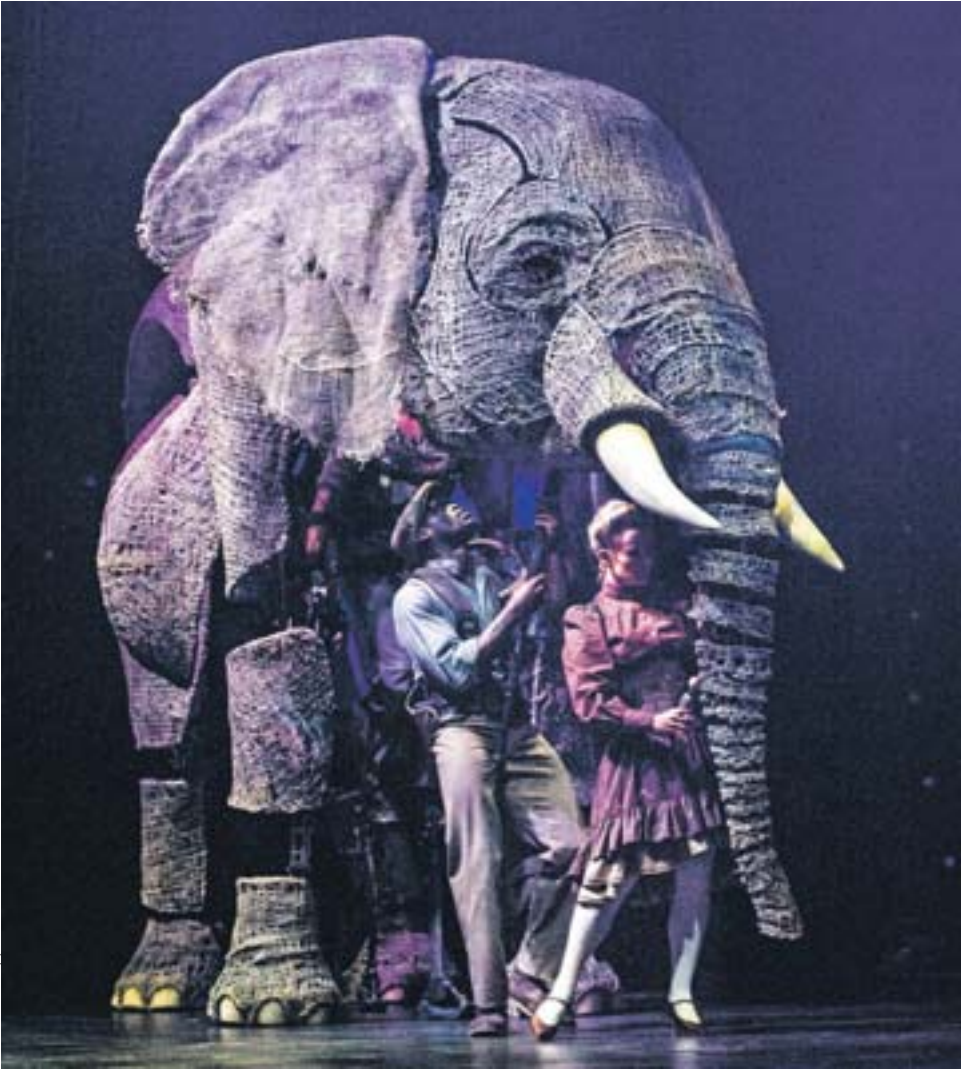
As an alternative to exotic animals, Circus 1903 sent in the puppets. The throwback show now touring the U.S.—in theaters, not tents—features the sorts of acts that flourished in circus's golden age, including a contortionist, tightrope walkers and brothers who juggle each other on their feet. The elephants, however, come to life using modern technology and techniques.

Queenie, modeled on the dimensions of the largest female African elephant on record, is built on a frame of plastic, wood and metal, and covered in woolly rope. Inside, three visible puppeteers control the elephant's movements: two of them walking on stilts as its legs, and one hoisting a pole

that moves its head and ears. A fourth puppeteer plays the elephant's handler and also operates its trunk. Peanut, smaller and friskier, has only one puppeteer inside on stilts, using his hands, feet and abdominal muscles to make the little elephant walk, run and rear up. "There are weekly physiotherapy sessions in the contract," says puppeteer Henry Maynard, describing the bodily stress on the people harnessed into the elephants. In shows, they use breathing to signal each other and simulate elephantine movements, he says. "We're trying to create the illusion of weight."

Made by the U.K. puppet shop Significant Object, the elephants were designed by some of the people who created the equine stars of "War Horse." Launched in 2007, the Tony-winning play used dozens of three-person horse puppets across multiple productions, and spurred demand for big theatrical animals in other shows. "War Horse" started a lot of careers in puppetry," says Mr. Maynard, who operated the head of the stallion Tophorn on London's West End.

The name Circus 1903 refers to a crucible year in circus lore when Barnum & Bailey returned from a four-year tour in Europe and competed with the upstart Ringling Bros. to regain supremacy. Ringling bought its rival in 1907 and combined the outfits in 1919. "Wild animals" were among those traveling shows' most effective promotional tools, a fact that holds true for Circus 1903, whose "magnificent elephants" get top billing on fliers. Says magician David Williamson, who plays the retro show's ringmaster, "You can't tell the story of the circus in America without elephants."



Elaborate puppets stand in for an elephant as well as a baby elephant, inset, at Circus 1903, which is now touring the U.S. The puppets enlist modern technology as well as puppeteers on stilts.





OPINION

REVIEW & OUTLOOK

Reviving Repeal and Replace

Republicans left Washington on Friday without a health-care deal, despite renewed negotiations after last month’s fiasco and a burst of White House diplomacy. Perhaps the two-week recess will be a cooling-off period and we hope the House’s factions can agree on a deal. If they can’t, then at least we’ll learn who’s responsible for defeat.

After the Freedom Caucus killed the original health bill in March, the talks resumed, not least for practical and political imperatives. President Trump and Republicans campaigned on repeal and replace, and the President at least wants to keep his word. The ObamaCare exchanges are also fragile and precarious, and consumers harmed by rising premiums and declining choices are likely to blame the party in power.

But the divide between conservatives and centrists hasn’t narrowed. Last week, in part to create the appearance of progress, the House added an amendment on “invisible risk sharing” that would help bring down premiums by absorbing high-cost patients. The compromise was worked out by the Freedom Caucus’s David Schweikert of Arizona and Tom MacArthur of New Jersey, who is more moderate.

These talks are constructive, though the larger question is whether most of the Freedom Caucus members want a bill they can back or are merely trying to shift the blame for failure. They say they’ll support a bill that repeals, or creates a state waiver to avoid, the ObamaCare mandates that prohibit insurers from denying coverage or charging more to patients based on pre-existing conditions. The Freedom Caucus is right that these mandates drive up the cost of insurance, but the moderates understandably don’t want to have a debate about how much to soak the sickest patients.

One reason is that this fight is largely pointless. True, the House bill doesn’t repeal the “community rating” that limits how much premiums can vary among consumers, but it does relax it enough to be effective repeal. Under ObamaCare, the costliest plan can be no more than three times as expensive as the cheapest, known as a 3 to 1 rating band. The House bill moves to a 5 to 1 band, which is above the true cost of care.

Average health spending among 64-year-old people is about 4.8 times as high as spending among 21-year-olds, according to the Society of Actuaries. The highest estimate of how much premiums varied before ObamaCare is 6 to 1, according to a liberal Georgetown outlet. So however you slice it, a 5 to 1 band is an improvement.

Meanwhile, Health and Human Services Secretary Tom Price already possesses the legal waiver authority to return regulatory power to the states whose Governors want to experiment with ObamaCare alternatives. Better to encode these changes in law because there will be another Democratic President, but successful policies are

hard to take back.

The fury over such small differences suggests that some Freedom Caucus opposition is more cynical than sincere. Do its members want to appear to negotiate in good faith but insist on changes that centrists can’t accept, so they can then accuse centrists of killing the reform revival? It wouldn’t be the first time.

Republicans don’t have much time left to act and the policy uncertainty will soon influence business decisions and insurance markets. Insurers are designing and pricing their 2018 products for state approval in June and July. ObamaCare is a money pit for most of the industry, and insurers may decide to cut their losses and depart. These decisions tend to happen in a quick cascade.

For a preview, look to Iowa. Wellmark Blue Cross Blue Shield, the state’s largest insurer, recently withdrew from the individual insurance market after losing about \$90 million over three years. Aetna followed.

These exits mean that only five of Iowa’s 99 counties in 2018 will be served by two insurers, Medica and Gundersen. The other 94 will have the choice of Medica or nothing, and even Medica says it “needs to carefully consider its options” in Iowa and may quit too.

Republicans can blame ObamaCare and Democrats for this debacle, and they’re right on the policy merits. But as a political matter they’re in charge and have the power to do something.

The default liberal response to ObamaCare’s implosion will be to open Medicaid to everyone who can’t buy coverage at any price because no one will sell it. Republicans will have no answer except a bill they’ve shown they don’t have the votes to pass.

House leaders say they’ll recall their members from the recess if the votes emerge to pass a bill, and perhaps there’s still hope for health-care reform. But first Republicans have to decide if they can accept progress that is short of perfection. If they can’t, then they’ll blow their best, and maybe only, shot at repealing and replacing a failing entitlement. And maybe lose their majority in 2018.

The National Front leader peddles Holocaust revisionism.

Marine Le Pen has spent years trying to clean up the French National Front’s image as a party of cranks, anti-Semites and apologists for the Nazi-collaborationist Vichy regime. Then the mask slid back down on Sunday as the far-right Presidential nominee reminded the world that Holocaust revisionism still lives in the Front.

Ms. Le Pen in an interview said that “France isn’t responsible for the Vel d’Hiv,” a reference to the rounding up of more than 13,000 Jews—including some 4,000 children—in July 1942. Nazi occupiers, with the help of the Vichy regime of Marshal Pétain, crowded the victims into a cycling stadium before dispatching them to concentration camps. The majority were sent to Auschwitz.

Ms. Le Pen lamented how such historical events had been used to teach French children to be ashamed of the French past. She added: “If there are people responsible, it’s those who were in power at the time. It’s not France.”

This is an historical evasion. Many French

fought the Nazis, but the scale of French collaboration was vast, with some 350,000 French citizens purged or punished postwar for collaboration.

Current French President François Hollande and the center-right former President Jacques Chirac have accepted state responsibility for the Vel d’Hiv episode and apologized.

Ms. Le Pen’s remarks suggest backtracking and revisionism, which is why they drew condemnation from France’s Jewish leaders as well as Israel’s foreign ministry.

The comments echoed the National Front of Ms. Le Pen’s father, Jean-Marie. Mr. Le Pen in 1987 described the Holocaust as a “detail in the history of World War II” and more recently suggested that “Mr. Ebola” could solve the world’s “demographic” problems.

Emmanuel Macron, the centrist independent who is Ms. Le Pen’s main Presidential rival, noted, “Some had forgotten that Marine Le Pen is the daughter of Jean-Marie Le Pen.” With the first round of voting less than three weeks away, Ms. Le Pen is alerting voters to what has—and hasn’t—changed in her party.

Trump Demotes the ABA

President Trump fulfilled a major campaign promise with the confirmation of U.S. Supreme Court nominee Neil Gorsuch on Friday, and here’s a bonus: The White House has also booted the American Bar Association from its privileged status as the semiofficial vetter of judicial nominees.

White House counsel Donald McGahn informed the ABA recently that it will no longer receive special early access to the identities of nominees. Bravo. The lawyers guild has never deserved its exalted political status, and its vetters would have eventually undermined a Donald Trump nominee at a crucial political moment.

The press corps is treating the decision like another case of weird Trump exceptionalism, but George W. Bush also demoted the ABA from vetting his nominees, and for good reason. A 2001 study in the Journal of Law and Politics by Northwestern University Professor James Lindgren found that the ABA rated President Bill Clinton’s nominees much more highly than it had George H.W. Bush’s.

Nominees who were already judges fared similarly but among nominees who were not already judges, Mr. Lindgren wrote, “Clinton nominees fared strikingly better than Bush nominees. For example, without judicial experience, 65% of Clinton appointees were unanimously rated well qualified, while only 17% of the Bush appointees were so rated.”

Mr. Lindgren doesn’t say it but we will: This is almost surely a result of political bias. The ABA will give some conservatives like Judge

Gorsuch its top rating. But the ABA tilts left and, all other things equal, its vetters give higher grades to the nominees of liberal Presidents—especially at crucial political moments.

Some readers may recall how the ABA sandbagged Supreme Court nominees Robert Bork and Clarence Thomas. The ABA gave Bork a “well qualified” rating but four members of its 12-member Committee on the Federal Judiciary dissented to say he was “not qualified.” Yet Judge Bork was one of the most influential legal minds of his era who helped the judiciary rethink antitrust law, among other things. A few years later the ABA rated Justice Thomas as merely “qualified,” with two members voting “not qualified.” Democrats used the ABA ratings as excuses to oppose both men.

The ABA is still free to say what it wants about a nominee, as is everybody else. But there’s no good reason it should have premier status. Dwight Eisenhower gave the ABA that status to give his nominees a political boost, but these days the ABA’s imprimatur mainly blesses a conformist elite. Outsiders aren’t welcome, and young conservatives join the Federalist Society. The ABA’s main bias is in favor of people like themselves, and that’s reason enough to revoke its special vetting role.

By Andy Kessler

Rising above the San Francisco skyline, a few short blocks from where Mel Brooks filmed the Hitchcock “Vertigo” spoof “High Anxiety,” is the 1.6-million-square-foot Salesforce Tower, soon to be the company’s new headquarters and the second-tallest building west of the Mississippi. As the stock market reaches dizzying heights, my thoughts turn to the toughest decision for investors: when to sell a stock.

Wall Street’s most successful players get ahead of the news, understand a CEO’s mind and figure out where the company is going. To do this, I often use what I call the “HQ Indicator.” It’s for those playing long ball, not day traders, but it is simple. When a company announces it is moving its executives into a lavish palace, it’s often time to get out.

Consider the Frank Gehry-designed IAC Building in Manhattan, completed in 2007. It’s the deconstructivist-style headquarters for InterActiveCorp, owners of CollegeHumor and Tinder. I find it ugly. And IAC stock deconstructed itself, going from around \$40 in 2007 to under \$15 two years later, though it has since rebounded.

Or the \$1.7 billion Time Warner Center overlooking New York’s Central Park. Opened in October 2003, it’s a “city within a building.” Time Warner’s stock was \$45 at the time, hit \$68 in January 2007 and then dropped to \$17 two years later. It didn’t get above \$45 again until 2012.

Why does the HQ Indicator work? Investors in public companies have no control and are at the whims of management. Are a company’s leaders frugal, or do they spend shareholders’ money like drunken sailors? Are they modest or do they have the hubris that leads to an edifice in honor of the CEO’s greatness and legacy? Will management be tempted to rush to fill the huge swaths of new empty headquarters space, often taking on questionable businesses?

In 2002 Bear Stearns moved into 383 Madison Ave., which covered a full New York City block. It was an early warning. A lot of the office space went into mortgage origination, packaging, collateralization and trading. The stock hit \$159 in 2007. By March 2008, J.P. Morgan bought Bear Stearns in a fire sale for \$2 a share, though the price later rose to \$10.

In 1984 the postmodern AT&T “Chippendale” Building opened at 550 Madison Ave. AT&T almost immediately got into a premodern price war with MCI and Sprint over long-distance telephone rates. Eight years later AT&T was out,

and Sony moved in. But AT&T isn’t done. It has a pending merger with Time Warner, though its leaders need to be careful: Time Warner Center comes with the deal too.

This shouldn’t be an investor’s only filter. Consider the gilded neo-Gothic Woolworth Building. It was completed in 1912, and F.W. Woolworth’s five-and-dime stores had a nice run until the 1980s. The building is now luxury condos, but your grandpa would have lost a ton if he got out before the world wars. Still, this is the exception that proves the rule.

Think about the New York Times. After almost 100 years on West 43rd Street, a location so iconic that Times Square is named after the paper, man-

If a company moves to lavish headquarters, it’s often time for investors to get out.

agement decided to move everyone into a more lavish setting. In 2003 construction started on the Eighth Avenue location, when the stock was around \$45. The daily took occupancy in 2007 with its stock about half the old price. It’s now selling for around \$14. The HQ Indicator at its finest.

Not coincidentally, the two companies that did the most damage to the New York Times seemed to finesse the trend. Facebook moved in 2011 into the million-square-foot former headquarters of Sun Microsystems in Menlo Park, Calif. It looked so much like a prison it was nicknamed Sun Quentin. Facebook has since built a Frank Gehry-designed annex across the street. It is so low-key that the only remarkable features are the trees on the roof.

Similarly, Google never built a headquarters. In 2003 it took over what would be renamed the Googleplex from Silicon Graphics. The latter company’s stock peaked within nanoseconds of signing a lease for the Mountain View, Calif., campus it never occupied. Meanwhile, the stocks of Google and Facebook keep heading toward the ionosphere.

But wait: Google filed plans in Mountain View for a transparent scalloped canopy over 600,000 square feet of office space. It will include a public “Green Loop” through the first of four domes. “We aim to blur the distinction between our buildings and nature,” the company said at the time. Uh-oh. And then there’s that Apple spaceship down the road in Cupertino.

Mr. Kessler, a former hedge-fund manager, is the author of “Eat People” (Portfolio, 2011).

Ecuador’s Dubious Election



AMERICAS  
By Mary Anastasia O’Grady

The special-operations unit of the Ecuadorean national police raided the Quito office of polling firm Cedatos on Friday, hauling away computers and documents and arresting two employees.

The company is one of the country’s oldest and most reputable independent pollsters. But it’s in trouble with President Rafael Correa, because in the April 2 runoff presidential election its exit poll gave opposition-party candidate Guillermo Lasso 53% of the vote and Mr. Correa’s handpicked candidate, Lenin Moreno, only 47%.

The Cedatos result differed from that of the Correa-controlled national electoral council (CNE), which pronounced Mr. Moreno the winner. It would be easy to resolve this dispute if the CNE would make its records public. Instead Mr. Correa has unleashed a crackdown on those whose findings don’t conform to his will.

On Friday special-ops police also raided an advertising company in Guayaquil that worked for the Lasso campaign. In a further act of intimidation, around 40 police went looking for Mr. Lasso.

These developments have fueled Ecuadorean suspicions that Mr. Moreno’s triumph was achieved through vote tampering. Thousands in cities around the country took to the streets last week protesting the lack of transparency in the ballot count. They want a full recount, and without it Mr. Moreno’s presidential legitimacy will remain in doubt.

Mr. Lasso has refused to concede. Yet his options for recourse are almost nonexistent. Inside the country, every institution charged with ensuring a fair vote is controlled by Mr. Correa. Most of the rest of the world doesn’t care. Those who do, back the strongman.

The Monday after Election Day, the observer mission of the Organization of American States—headed by Leonel Fernández, a leftist former president of the Dominican Republic—endorsed the result and told Mr. Lasso to take his complaints to the Correa-controlled electoral-appeals tribunal. The U.S. State Department said something similar.

That advice is a bad joke. Mr. Correa runs the country’s largest media empire and controls the legislature, the judiciary, the top command of the army, and the national police. All members of the CNE have links to his government or his party, the PAIS Alliance. The head of the electoral appeals tribunal is the brother of Mr. Correa’s attorney general.

Mr. Moreno freely used government resources to campaign and played dirty. Fake Lasso ads pledging to privatize health care popped up on city buses, though Mr. Lasso had made no such proposal. With government control of more than 20 mass-media organizations, including television, radio and newspapers, Mr. Moreno blanketed the nation with his message. The government often interrupted programming on channels not owned by the state to run campaign spots.

The European Union observed Ecuador’s 2009 presidential election and issued a report critical of Mr. Correa’s use of government resources and power to influence the outcome. This time around the CNE blocked an EU observer mission.

The Cedatos exit poll showing Mr. Lasso with a comfortable lead was only one reason his supporters were optimistic on election night. With 82.22% of valid votes counted at the provincial level, the CNE’s website showed Mr. Lasso leading, 50.47% to 49.53%. The Lasso campaign says it was getting the same results.

Then the CNE website went down. A half-hour later, when it came back, Mr. Moreno had surged ahead, 51.1% to 48.9%.

Lasso poll watchers made copies of signed tally sheets before they were sent to the CNE. The Lasso campaign has compared this original data with the tally sheets that the CNE used to pronounce Mr. Moreno the winner. A Lasso press conference on Wednesday provided evidence of numerous irregularities and statistical anomalies uncovered in this analysis. One example: Where the Lasso column indicated a majority of votes on the original document, the copy used by the CNE showed Mr. Moreno with those votes.

The Lasso campaign claims it has found thousands of examples of fraud, which if reversed would alter the outcome of the contest. Mr. Lasso also told CNN en Español on April 3 that simply totaling the raw data his campaign got from the CNE gives him the presidency.

The CNE was supposed to hire an independent monitor to count votes at representative polling stations and produce a “quick count,” which allows for a winner to be named on election night. But that monitoring group admitted last week that all it did was total the votes from numbers the CNE sent it.

To steal an election, a government needs unchecked power at home and willing foreign dupes. Mr. Correa has both at his disposal. After a decade of abuse, Ecuadoreans are justified in their demands for a full recount.



OPINION

# Sweden Blacklists an Antiabortion Midwife

By **Sohrab Ahmari**

*Uppsala, Sweden*  
Ellinor Grimmark didn't set out to wage a campaign. In 2007, the 40-year-old mother of two quit her catering job to become a midwife. She studied for years, dreaming of bringing life into the world. But Ms. Grimmark was professionally blacklisted in Sweden for her opposition to abortion. Now she is at the center of a yearslong legal dispute whose outcome will have implications for freedom of conscience in Sweden and across Europe.

Despite a reputation for stellar health care, Sweden faces an acute midwife shortage. Eighty percent of the county councils that run local hospitals reported having trouble recruiting midwives last year. An older cohort is retiring faster than its members can

**Ellinor Grimmark found the 'opinion corridor' was too narrow to make room for her Christian faith.**

be replaced, and the perception that midwives are overworked dampens enthusiasm for the profession.

Local governments in many areas provide prospective midwives with a monthly stipend while they complete their certification. Jönköping County, in southern Sweden, agreed to pay Ms. Grimmark \$1,900 a month during the year-and-half she studied.

Ms. Grimmark, a devout Christian, knew that some midwives participate in abortions, but she assumed that hospitals would offer conscience carve-outs for practitioners like her. "There is so much to do as a midwife," she says in an interview at her lawyer's office. "So I just thought, 'OK, that's one part, but I will do everything else.'"

In one sense, her intuition was correct. A 2007 study from Umeå University found that 35% of Swedish midwives had never been involved with abortions during their careers, while another 23% hadn't in the previous two years. Only late-term abortions are carried out in birth wards, where she wanted to work, and these are rare and always planned ahead.

But Ms. Grimmark underestimated the authorities' determination to root out antiabortion sentiment. In spring 2013, with one term left in her studies, she asked supervisors at the hospital where she planned to work to accommodate her conscience rights.

She received a furious call from one manager. "How could you even think of becoming a midwife with these opinions?" Ms. Grimmark recalls the manager screaming. "What would you do if a patient who'd had an abortion came to you bleeding?" Ms. Grimmark tried to answer that she would help a woman in that condition, but the voice on the phone kept screaming. Ms. Grimmark was told she wasn't welcome. A few days later a text message informed her that her stipend would be cut off.

One other hospital denied her employment over her views, while still another made an offer, only to back-track. One even offered counseling to help her come to terms with abortion. Concerned that her skills would atrophy, she accepted a midwife job in neighboring Norway, where hospitals accommodate abortion objectors. She commuted four hours each way, she says, "and I just hated leaving my children."

Ms. Grimmark has delivered nearly 200 babies in Norway. She and her husband recently moved there to save her the rough commute. She says her Norwegian colleagues, many of whom ardently support abortion rights, are puzzled by her treatment in Sweden.

In Nordic countries, and Sweden especially, elite institutions create what political scientists call "opinion

corridors," setting the parameters of debate. Ms. Grimmark was locked out of the opinion corridor on medical freedom of conscience. When she sued the Jönköping council in 2014, claiming religious discrimination and violation of her freedom of conscience, she became a public enemy.

Speaking at a panel on Islamist extremism in 2015, Mona Sahlin, a prominent politician and former government antiterror coordinator, argued that "those who refuse to perform abortions are in my opinion extreme religious practitioners" not unlike jihadists.

In January a television segment framed Ms. Grimmark as part of "a

global wave of oppression against women." On another TV panel the same month, feminist writer Cissi Wallin mused, "Those who are against abortion now, can't we abort them—retroactively?" Another panelist replied, "Yes, a really great idea!" The others chuckled.

During the trial, in the fall of 2015, an attorney for the defendants asked one of Ms. Grimmark's would-be hospital directors, Christina Gunnervik, if it would be possible for someone "who stands for these opinions and is willing to express them publicly" to work at her hospital, even temporarily. Ms. Gunnervik responded: "Unthinkable. Completely unthinkable!"



ZINA SAUNDERS

Attorneys for the county council declined to comment.

The trial court in November 2015 ruled against Ms. Grimmark, despite legislative history showing that Sweden's 1974 abortion law protects freedom of conscience. Under the law, abortions may be performed only by medical doctors, suggesting that its drafters never contemplated midwives as abortion providers. An appellate tribunal is expected to rule on Ms. Grimmark's appeal this week. If it upholds the lower court, she will then have recourse to the European Court of Human Rights, where the weight of European law favors her argument.

The Council of Europe has repeatedly condemned discrimination against health workers "because of a refusal to perform, accommodate, assist or submit to an abortion." Sweden is also required to safeguard the "freedom of thought, conscience and religion" under the European Convention on Human Rights.

States are allowed to restrict freedom of conscience in limited situations, but only for legitimate purposes and using means that are proportionate and necessary in a democratic society. Swedish hospitals, Ms. Grimmark's attorneys argue, fail both tests.

Norway and Denmark manage to protect both abortion rights and freedom of conscience, and that hasn't triggered a women's health crisis in either country. Even some Swedish midwives enjoy freedom of conscience under informal arrangements that have been grandfathered in.

"They still think they are putting women first by not giving me a job," Ms. Grimmark says. "We have Swedish mothers giving birth in Norway because they know they will have a midwife there. In Sweden, you don't know. We've had mothers dying because they didn't have midwives. It's crazy. It's like Africa—but it's Sweden."

*Mr. Ahmari is a Journal editorial writer in London.*

## A Trump Nomination Shows He's Serious About Deregulation

By **Susan Dudley**

President Trump on Friday reinforced how serious he is about reforming the regulatory state by nominating Neomi Rao to head the Office of Information and Regulatory Affairs. The OIRA administrator, or "regulatory czar," is the ultimate policy wonk. Ms. Rao, a respected legal scholar with experience in all three branches of government, is ideally suited to the job.

OIRA, which operates within the president's Office of Management and Budget, may be the most important office you've never heard of. Its staff of fewer than 50 career professionals reviews the regulatory, information-collection and statistical activities of federal agencies. That may not sound exciting, but regulation is one of the most direct and powerful ways by which a president can advance his policies.

President Obama used regulation to get around Congress in pursuit of initiatives on climate change, immigration, worker pay and more. Presi-

dent Trump has promised to reverse those regulations and directed agencies to eliminate two old rules for every new one they issue.

OIRA allows the president to manage the regulatory authority that Congress has delegated to the executive branch. By some estimates regulations cost Americans more than \$2 trillion a year, and every president since Ronald Reagan has recognized that letting agencies make policy without White House oversight would be like giving them a blank check on their budgets.

The next OIRA administrator will enforce Mr. Trump's executive order that agencies eliminate costly regulations while identifying those that still provide significant net benefits. That will require principled and pragmatic leadership, and Ms. Rao has the experience, intellect and character for the job. She is an associate professor at George Mason University's Antonin Scalia Law School, where she founded and directs the Center for the Study of the Administrative State. She directs a committee on regula-

tory policy for the American Bar Association. In addition to a sharp legal mind, Ms. Rao brings an openness to different perspectives and an ability to manage the competing demands of regulatory policy.

**The president picks a law professor to lead the most important office you've never heard of.**

I served as OIRA administrator for the final two years of the George W. Bush administration and, like many others who held the position, consider it one of the best jobs in government. If confirmed, Ms. Rao will be involved in a dizzying range of issues and work with senior appointees across the government to implement important policies that affect people's daily lives.

She will be responsible for examining regulatory actions from a neutral,

analytical perspective. Regulatory agencies are susceptible to special-interest pressures; OIRA's role is to step back and focus on the broader public interest. Presidents for more than 35 years have asked OIRA to review new regulations before they are published to ensure they are necessary and that they are likely to do more good than harm. The procedures and principles that guide that review have remained remarkably consistent across presidents of different parties for almost four decades.

OIRA coordinates among federal agencies to minimize conflict and duplication, providing a cross-cutting perspective that combats what Justice Stephen Breyer has called agencies' "tunnel vision." The administrator often serves as a neutral arbiter to resolve disputes between an agency pursuing its regulatory objectives and other departments. Here Ms. Rao's government experience and judicial temperament will come in handy.

Ms. Rao will be responsible for ensuring that agency actions are consis-

tent with the law and the president's policies. Her legal scholarship and expertise will be invaluable as she works to make sure agencies respect the boundaries of delegated authority. She will also need to anticipate litigation over specific actions, as well as broader policies, such as the president's one-in-two-out regulatory executive order.

Regulatory oversight is important and, unsurprisingly, not always welcomed by the agencies or the special interests that want to use the administrative state for their own advantage. As the U.S. Senate Homeland Security and Governmental Affairs Committee takes up Ms. Rao's nomination, it should appreciate the strong qualifications, experience and dignity she will bring to this important position.

*Ms. Dudley is director of the George Washington University Regulatory Studies Center. She served as administrator of the U.S. Office of Information and Regulatory Affairs, from 2007 to 2009.*

## Saving Lives Is the First Imperative in the U.S. Opioid Epidemic

By **Sally Satel**

America's opioid problem has turned into a full-blown emergency now that illicit fentanyl and related synthetic drugs are turning up regularly on U.S. streets. This fentanyl, made in China and trafficked through Mexico, is 25 to 50 times as potent as heroin. One derivation, carfentanil, is a tranquilizer for large animals that's a staggering 1,000 to 5,000 times as powerful.

Adding synthetic opioids to heroin is a cheap way to make it stronger—and more deadly. A user can die with the needle still in his arm, the syringe partly full. Traffickers also press these drugs into pills that they sell as OxyContin and Xanax. Most victims of

synthetic opioids don't even realize what they're taking. But they are driving the soaring rate of overdose—a total of 33,091 deaths in 2015, according to the U.S. Centers for Disease Control and Prevention.

Hence the ascendance of a philosophy known as "harm reduction," which puts first the goal of reducing opioid-related death and disease. Cutting drug use can come second, but only if the user desires it.

As an addiction psychiatrist, I believe that harm reduction and outreach to addicts have a necessary place in addressing the opioid crisis. But as such policies proliferate—including some that used to be inconceivable, such as providing facilities where drug users can safely inject—

Americans shouldn't lose sight of the virtues of coerced treatment and accountability.

What does harm reduction look like? One example is Maryland's Overdose Survivor Outreach Program. After an overdose survivor arrives in the emergency room, he is paired with a "recovery coach," a specially trained former addict. Coaches try to link patients to treatment centers. Generally this means counseling along with one of three options: methadone; another opioid replacement called buprenorphine, which is less dangerous if taken in excess; or an opioid blocker called naltrexone. Overdose survivors who don't want treatment are given naloxone, a fast-acting opioid antidote. Coaches also stay in touch after patients leave the ER, helping with court obligations and social services.

Similar programs operate across the country. In Chillicothe, Ohio, police try to connect addicts to treatment by visiting the home of each person in the county who overdoses. In Gloucester, Mass., heroin users can walk into the police station, hand over their drugs, and walk into treatment within hours, without arrest or charges. It's called the Angel Program. Macomb County, Mich., has something similar called Hope Not Handcuffs.

Another idea is to provide "safe-consumption sites," hygienic booths where people can inject their own drugs in the presence of nurses who can administer oxygen and naloxone if needed. No one who goes to a safe-consumption site is forced into treatment to quit using, since the priority is reducing risk.

In Canada, staffers at Vancouver's consumption site urge patrons to go

into treatment, but they also distribute clean needles to reduce the spread of viruses such as HIV and hepatitis C. Naloxone kits are on hand in case of overdose.

One study found that opening the site has reduced overdose deaths in the area, and more than one analysis

**Formerly inconceivable ideas—like providing drug users a safe place to inject—are gaining traction.**

showed reduced injection in places such as public bathrooms, where someone can overdose undiscovered and die.

There are no consumption sites in the U.S., but in January the board of health in King County, Wash., endorsed the creation of two in the Seattle area. A bill in the California Assembly would allow cities to establish safe consumption sites. Politicians, physicians and public-health officials have called for them in Baltimore; Boston; Burlington, Vt.; Ithaca, N.Y.; New York City; Philadelphia; and San Francisco. Drug-war-weary police officers and harm reductionists would rather see addicts opt for treatment and lasting recovery, but they'll settle for fewer deaths.

When all else fails, handcuffs can help, too. A problem with treatment is that addicts often stay with the program only for brief periods. Dropout rates within 24 weeks of admission can run above 50%, according to the National Institute on Drug Abuse. Courts can provide unique leverage.

Many drug users are involved in addiction-related crime such as shoplifting, prescription forgery and burglary. Shielding them from the criminal-justice system often isn't in society's best interests—or theirs.

Drug courts, for example, keep offender-patients in treatment through immediately delivered sanctions (e.g., a night in jail) and incentives (e.g., looser supervision). Upon successful completion of a 12- to 18-month program, many courts erase the criminal record. This seems to work. The National Association of Drug Court Professionals reports that 75% of drug-court graduates nationwide "remain arrest-free at least two years after leaving the program."

What's more, if the carrot-and-stick method used by drug courts is scrupulously applied, treatment may not always be necessary. This approach, called "swift, certain and fair," has been successful with methamphetamine addicts in Hawaii and alcoholics in South Dakota. Some courts in Massachusetts and New Hampshire have now adopted it with opioid addicts. I predict that the combination of antiaddiction medication plus "swift, certain, and fair" will be especially effective.

With synthetic drugs similar to fentanyl turbocharging the opioid problem, the immediate focus should be on keeping people safe and alive. But for those revived by antidotes and still in a spiral of self-destruction, the criminal-justice system may be the ultimate therapeutic safety net.

*Dr. Satel is a psychiatrist specializing in addiction and a resident scholar at the American Enterprise Institute.*

**THE WALL STREET JOURNAL.**

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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LIFE & ARTS

ART REVIEW

# Treasures of Nation-Building

BY LEE LAWRENCE

New York

**TWO THOUSAND-YEAR-OLD** terra-cotta horses, mustachioed officers, and kneeling archers in suits of armor may be a familiar stand-in for ancient China, yet the sight of them continues to amaze. In “Age of Empires: Chinese Art of the Qin and Han Dynasties (221 B.C.-A.D. 220),” the stately demeanor of six close-to-life-size figures sets the tone for an exhibition whose principal aim is to impress on visitors how the Qin (221-206 B.C.) and the Han (206 B.C.-A.D. 220) cumulatively shaped China. While borders shrank and expanded over the millennia that followed, the template Qin and Han rulers developed during their four centuries in power persisted: a unified—though hardly uniform—state with centralized governance and a shared identity. This is the second major exhibition this year to capitalize on the seemingly endless excavations of burial complexes over the past 50 years. The first, “Tomb Treasures: New Discoveries From China’s Han Dynasty” at San Francisco’s Asian Art Museum, delved into the private lives and beliefs of Han royalty. “Age of Empires” broadens the timeline to include the Qin, brings together 160-plus works from 32 Chinese museums and archaeological institutions—an impressive feat even for the Met—and focuses on the dynasties’ nation-building.

Reinforcing this theme, the layout’s spaciousness and sightlines express solemnity and grandeur. Each dynasty’s story begins with military might—note the shift in emphasis from infantry to cavalry—followed by aspects of their administrative apparatuses and an exploration of their art and the kaleidoscopic influences that helped shape it. A headless Qin statue of a man, for example, is arresting for its naturalism—the belly bulges, back and arm muscles tense as the hands grasp a pole, suggesting he portrays the strongman of an acrobat troupe. Unusual for this period,



CLOCKWISE FROM LEFT: QIN SHIHUANGDI MAUSOLEUM SITE MUSEUM, LINTONG; METROPOLITAN MUSEUM OF ART; HEBEI PROVINCIAL MUSEUM, SHIJIAZHUANG

it probably embodies a response to Hellenistic sculptures created after Alexander the Great conquered parts of Central Asia. At the other extreme, the silver and gold decorations on a pair of Han crossbow holders outline such highly stylized clouds and animals they could be art-deco motifs.

Even though the tools of administration on display are not always visually exciting, they are too important to overlook. The Qin standardized weights, measures and—most important—writing. Since Chinese characters represent the meaning, not the sound, of words,

people who did not share a spoken language could now communicate in writing. And, under the Han, the water clock on display enabled a bureaucrat to record date and time on every piece of correspondence, while a staff topped by a bird-shaped finial marked its owner as over 70, visibly reinforcing the emperor’s insistence on Confucian values, which prescribed respect and privileges for the elderly.

Almost as a counterweight, the final section celebrates the dynamics of pluralism. A hanging lamp, for example, melds influences from India and the Mediterranean, while



**Clockwise from left: Kneeling Archer (detail), Qin dynasty (221–206 B.C.); Strongman, Qin dynasty (221–206 B.C.); Coffin handle, Western Han dynasty (206 B.C.-A.D. 9)**



a lively market scene on the lid of a bronze container exemplifies traditions maintained by the Dian, a people whose territory was annexed under the Qin.

Recent archaeological digs have both spawned a spate of shows—a third one, “Dreams of the Kings: A Jade Suit for Eternity,” opens at the China Institute in New York on May 25—and enriched scholars’ under-

standing of this period. As the Met’s must-read catalog points out, we now know that maritime trade brought technologies, not just goods. The gold granulation on several ornaments are part of a transmission process that archaeologists have traced back to northern Pakistan. Similarly, chemical analyses show that some glass previously thought to have been imported was in fact locally made—see a bowl from the early Han dynasty (206 B.C.-A.D. 9) as well as the glass inlays in a pair of Qin gilt-bronze finials. The bowl is as simple as the finials are elaborate, their winged and beaked four-legged creatures pointing to yet another foreign connection: Western griffins.

We now also know that imperial workshops developed a system of quality control over this 400-year period. It shows. Whether in the decorated vessels devoted to the storing and pouring of wine, the lacquerware and colorful silks, the statuettes of animals both domestic and foreign, or the figures of dancers and musicians, the mastery is stunning. Even death is made beautiful, from painted reliefs on a tomb door to a gilded and silvered coffin handle sporting an animal face flanked by sinuous mythical creatures. And, of course, the deceased’s last apparel, a body suit made of jade tiles fastened with gold thread and silk ribbon.

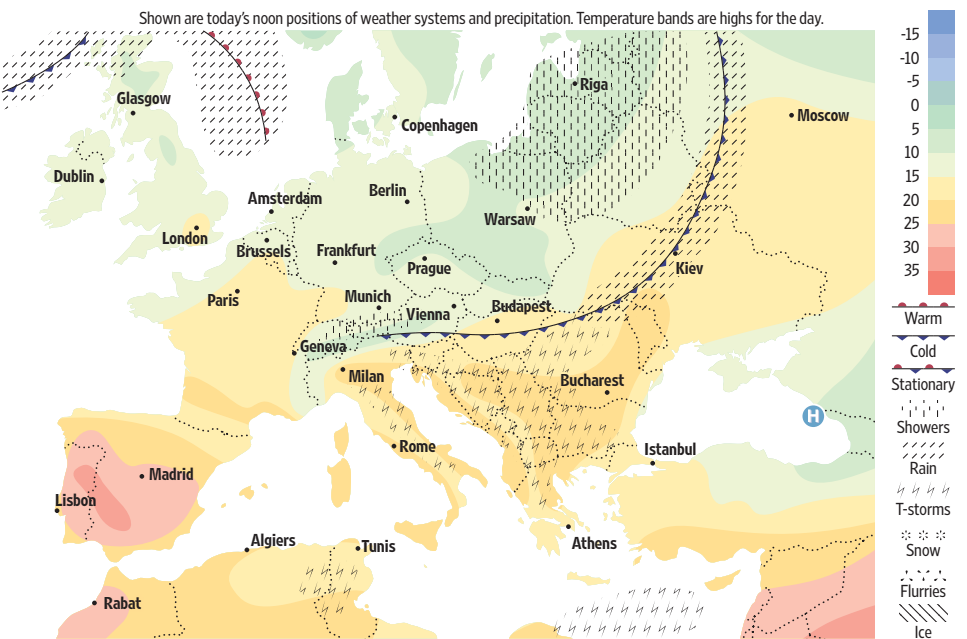
The Chinese had long equated the hardness of jade with immortality, and the similarity to the warriors’ armor befits the belief that it would keep the body intact. It didn’t. What did survive, as this show clearly demonstrates, is the notion of the Central or Middle Kingdom—as China first came to be called under the Han—and caches of treasures archaeologists are still unearthing.

**Age of Empires: Chinese Art of the Qin and Han Dynasties (221 B.C.-A.D. 220)**

The Met Fifth Avenue, through July 16

*Ms. Lawrence writes about Asian and Islamic art for the Journal.*

Weather



Global Forecasts

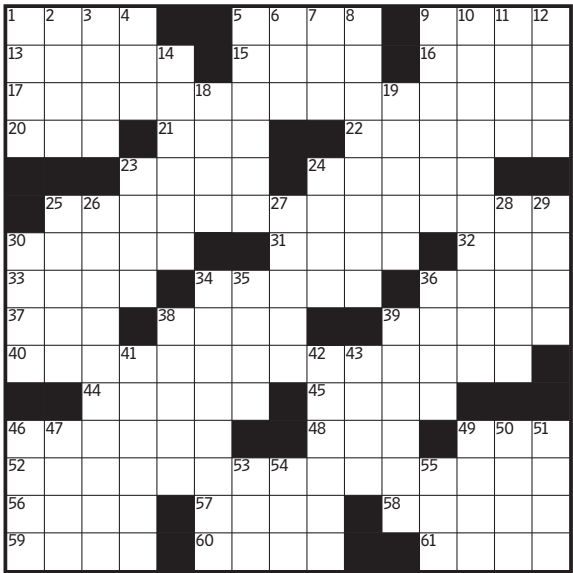
s...sunny; p...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	13	8	c	12	7	sh
Anchorage	7	-3	pc	7	-3	s
Athens	20	11	pc	21	13	pc
Atlanta	27	16	s	27	14	pc
Baghdad	28	18	c	31	21	c
Baltimore	29	14	pc	23	8	pc
Bangkok	36	26	pc	36	26	pc
Beijing	21	4	s	24	5	s
Berlin	10	5	c	10	5	sh
Bogota	18	10	r	18	10	c
Boise	15	8	pc	20	9	pc
Boston	27	11	s	17	7	r
Brussels	13	5	c	14	6	c
Buenos Aires	22	9	s	19	9	s
Cairo	30	21	pc	33	19	c
Calgary	6	-2	sh	5	-1	c
Caracas	30	25	pc	30	25	pc
Charlotte	26	14	s	26	13	pc
Chicago	14	4	s	17	8	s
Dallas	23	16	t	27	17	c
Denver	21	6	s	23	6	pc
Detroit	18	5	pc	16	5	s
Dubai	36	26	s	36	25	s
Dublin	12	6	c	11	4	c
Edinburgh	12	7	c	11	3	pc
Frankfurt	14	5	c	16	7	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	15	4	sh	19	5	pc
Hanoi	36	22	pc	24	20	t
Havana	29	19	s	29	20	s
Hong Kong	27	21	c	23	20	t
Honolulu	29	23	pc	28	23	pc
Houston	25	18	c	27	17	t
Istanbul	18	8	s	16	8	pc
Jakarta	32	24	t	31	24	t
Johannesburg	22	13	t	21	13	pc
Kansas City	17	8	s	22	14	pc
Las Vegas	28	14	s	29	16	s
Lima	26	21	pc	26	21	pc
London	16	7	c	15	6	pc
Los Angeles	24	13	pc	22	13	pc
Madrid	26	8	s	27	10	s
Manila	35	25	s	35	24	s
Melbourne	18	11	pc	21	9	s
Mexico City	26	11	pc	25	9	pc
Miami	28	22	pc	28	22	sh
Milan	23	12	pc	20	9	pc
Minneapolis	12	4	pc	15	9	t
Montreal	29	17	t	30	17	pc
Montreal	11	5	r	11	3	c
Moscow	15	3	pc	7	3	pc
Mumbai	36	26	pc	37	27	pc
Nashville	24	13	c	25	11	pc
New Delhi	36	20	pc	38	22	pc
New Orleans	27	17	c	27	17	pc
New York City	25	14	s	21	9	sh
Omaha	16	8	s	19	11	t
Orlando	28	16	pc	28	16	s

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	12	4	r	9	0	c
Paris	16	5	pc	17	7	pc
Philadelphia	29	15	s	22	8	sh
Phoenix	31	16	s	33	17	s
Pittsburgh	20	9	c	16	4	pc
Port-au-Prince	31	20	t	31	20	pc
Portland, Ore.	15	8	c	14	7	r
Rio de Janeiro	32	24	s	31	23	sh
Riyadh	38	24	s	38	24	pc
Rome	20	9	pc	20	9	pc
Salt Lake City	17	7	s	22	11	s
San Diego	21	14	pc	21	15	pc
San Francisco	19	13	c	18	11	c
San Juan	29	23	t	29	22	sh
Santiago	30	11	s	28	10	s
Santo Domingo	30	21	t	30	20	sh
Sao Paulo	28	18	t	23	17	sh
Seattle	13	7	pc	14	7	r
Seoul	19	4	pc	14	4	s
Shanghai	15	10	c	17	8	pc
Singapore	31	25	t	31	25	t
Stockholm	7	-2	c	6	1	sh
Sydney	23	17	pc	21	16	pc
Taipei	23	17	sh	20	18	sh
Tehran	24	14	pc	22	14	c
Tel Aviv	27	20	pc	30	20	c
Tokyo	13	11	r	16	8	pc
Toronto	20	4	sh	12	2	pc
Vancouver	12	6	pc	12	6	r
Washington, D.C.	28	17	pc	25	9	pc
Zurich	14	2	c	17	6	pc

The WSJ Daily Crossword | Edited by Mike Shenk



INTERNAL MEDICINE | By Maxine Cantor

Across			Down		
1	African nation east of Ghana	24	Assume as a fact	44	Oil container?
5	Manner	25	"Gone With the Wind" producer	45	Painter Holbein
9	"Pygmalion" playwright	30	Bert's pal on kids' TV	46	Chachi's love on 1980s TV
13	"Rumor has it..."	31	Bombard	48	Historic stretch
15	Cry from a cruiser	32	Neckline shape	49	Nabokov novel
16	Effortlessness	33	Pauper's wear	52	Central Florida paper
17	Line of video games including "Super Mario All-Stars"	34	Radar screen flashes	56	Shoe strip
20	Fenway team, for short	36	Heap	57	Micron, meter or mile
21	"Holy smokes!"	37	Rink surface	58	Listless feeling
22	Throw caution to the wind	38	One may be out of stock	59	Get trounced, say
23	On in years	39	Tennis announcer's declaration	60	Boston orchestra
		40	35-member body that convenes in Denver	61	Medicine internal to the four longest Across answers

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

Down			Across		
1	Breath mint holders	26	Venezuelan attraction with a drop of 3,212 feet		
2	Euclid setting	27	Veep after Hubert		
3	Post-boomer group	28	"The Color Purple" protagonist		
4	Bit for Buttermilk	29	Penetrating		
5	Managed with the means at hand	30	Rock's Clapton		
6	"What have we here?!"	34	Returned to the Enterprise		
7	Half of cuatro	35	Fill with cargo		
8	Incredulous reactions	36	Sch. orgs.		
9	Ushers to the parlor	38	Cranium contents		
10	Website defacer, of a sort	39	Present from birth		
11	Italian city famed for sparkling wines	41	Like Baroque architecture		
12	Pioneer heading	42	They may get blanket coverage		
14	Slugger Jackson	43	Take home		
18	Obligation	46	Fleshy cheek		
19	"Mephisto Waltzes" composer	47	Nabisco treat		
23	Enterprise rival	49	___ Domini		
24	Sound from a nest	50	___ ex machina		
25	Foe of Harry and Ron	51	What Washington couldn't tell		
		53	Lennon's love		
		54	Tentative taste		
		55	Neither Rep. nor Dem.		

Previous Puzzle's Solution

PAIRED	CAPO	HARE
IVORY	OXEN	ACAD
TOURNAMENT	PRIZE	
ANG	ASPS	HIDDEN
HEMI	PIELT	
PARLOFA	ADLOCK	
ASTICS	TRIO	PUNT
UND	STOUT	REO
LEES	HINT	ADMAN
WRITER	GERTRUDE	
LORE	OPED	
SALLOW	ANTE	GAL
PLAYTO	THE	CAMERA
ATOM	OWES	COGED
ROSE	DAMS	EDNAS

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# BUSINESS & FINANCE

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Tuesday, April 11, 2017 | B1

Euro vs. Dollar 1.0606 ▲ 0.16%

FTSE100 7348.94 ▼ 0.01%

Gold 1251.10 ▼ 0.26%

WTI crude 53.08 ▲ 1.61%

German Bund yield 0.209%

10-Year Treasury yield 2.361%

## Wells Fargo Reclaims More Pay

Board claws back \$75 million more from Stumpf and Tolstedt tied to sales scandal

By Emily Glazer

**Wells Fargo** & Co.'s board said it has clawed back an additional \$75 million of pay from two former executives it holds largely responsible for years of sales-practice problems.

According to a 113-page report by a board committee released Monday, directors of the bank decided to hold back more pay than disclosed last year from former Chief Executive John Stumpf and former retail bank leader Carrie Tolstedt. Among the reasons: The board felt misled about the extent of

sales abuses that went back to 2002 and resulted in a \$185 million fine and two congressional inquiries.

Wells Fargo's board, for instance, says it didn't know that 5,300 employees had been fired over five years related to sales practices at the bank until federal regulators and a city official announced the penalty last September.

The board's results cap a six-month independent investigation that has not only rocked the country's third-largest bank by assets but also the broader banking industry, with dozens of firms examining their own sales practices at the behest of regulators.

Many directors on the San Francisco bank's board now face their own scrutiny. Last week, proxy advisory firm Institu-



SUSAN WALSH/ASSOCIATED PRESS

The board took back an additional \$28 million from John Stumpf.

tional Shareholder Services Inc. suggested Wells Fargo investors vote against 12 of the bank's 15 directors at the firm's annual meeting April 25. The bank also

continues to face federal and state investigations about its sales practices.

In its report, the board said as of last Friday, it decided

to claw back from Mr. Stumpf an additional \$28 million of incentive compensation paid in March 2016 under an equity grant made in 2013. In September, it announced \$41 million in clawbacks from Mr. Stumpf.

Chairman Stephen Sanger said on a call with media that the bank can capture that amount from Mr. Stumpf through his supplemental retirement plan expected to pay out in coming months.

The board is also clawing back Ms. Tolstedt's outstanding stock options valued at roughly \$47.3 million, following \$19 million in earlier clawbacks. That brings total clawbacks to \$183 million, according to the board report. That is one of the largest company clawbacks in recent history.

Please see BANK page B2

## China Climbs Drugs Ladder

By Preetika Rana

SUZHOU, China—A new cancer drug licensed by **Eli Lilly** & Co. was discovered by a six-year-old startup on the outskirts of Shanghai, and derived from the ovary cells of Chinese hamsters. Lilly now is planning to test it on Americans.

Rival **Merck** & Co. aims to test a separate cancer drug in the U.S. this year, created by another startup near the border with Hong Kong.

Those aren't outliers. China, long the world's supplier of cheap pharmaceutical ingredients and copycat pills, is emerging as a major producer of important new medicines: biotech drugs. After the U.S., China now boasts the second-largest number of clinical trials involving biologic treatments—produced using biological matter such as animal cells or bacteria, according to data from the National Institutes of Health.

The world's biggest drug companies have taken notice.

Merck sent executives to scour scores of Chinese startups, and set up a dedicated innovation center in Shanghai in 2015. Johnson & Johnson opened a similar center in Shanghai in 2014 to identify scientific breakthroughs in China. In the past two years, Lilly, Merck, Tesaro Inc. and Incyte Co. have signed multimillion-dollar deals to sell China-discovered biotech drugs overseas.

The tie-ups are a boost for China's ambition to shake off a history of scandals, such as a 2008 incident when a blood thinner called heparin—made with Chinese ingredients—killed dozens of people in the U.S. alone. China is working to overcome a reputation for poor quality to become an innovator and global producer of complex products.

Will China transform "overnight? The answer is definitely no," said Olivier Charneil, Sanofi SA's head of emerging markets. But "when a direction has been set, it's clear that things happen," he added, noting that China is devoting resources to ramp up quality.

Meanwhile, Chinese factories supplying chemical-drug ingredients around the world continue to fail U.S. regulatory inspections. Last year, the U.S. Food and Drug Administration barred ingredients from a Chinese supplier that counts Sanofi, Pfizer Inc. and Novartis AG among its customers.

Biologic drugs differ from chemical medicines and have revolutionized treatment of diseases including cancer and diabetes. They were developed by Western drugmakers in

Please see DRUGS page B2



KHAM/REUTERS

Above, a Vietnamese steel mill. Tariffs on some steel imports have allowed U.S. producers to raise prices and aided countries, like Vietnam, not subject to the duties.

## U.S. Steelmakers Press Their Luck on Prices

By Bob Tita

U.S. steelmakers moved fast to raise prices after new tariffs were levied on some foreign competitors last year, but the quick increase has alienated some buyers and threatens to short-circuit a steel-market rebound.

Domestic steel companies have raised prices by as much as 50% on popular types of steel in recent months. That has boosted their profits, but troubled customers who say they can't afford the higher cost.

Steel users say they are looking for cheaper alternatives from countries unaffected by the tariffs.

"We can't pass along this kind of increase to our customers," said Stuart Speyer, president of Tennsco Corp., a Tennessee-based manufacturer of steel shelves and file cabinets.

Mr. Speyer said his suppliers have raised steel prices seven times since October,

adding about \$180 to the cost of a ton of steel.

The U.S. government starting in May through September last year imposed duties on dozens of foreign steel producers found to be receiving unfair state aid or setting prices below the cost of production. Tariffs of more than 500% were levied on some products from China, the world's largest steel producer.

A big increase in steel production capacity overseas disrupted the U.S. steel market. When demand weakened in major foreign markets, such as China, steelmakers maintained production by accelerating exports to the U.S. and cutting prices on the steel to attract customers.

While steel customers benefited, domestic steel producers idled plants and laid off workers amid the sliding prices. But when the tariffs negated cut-rate supplies, U.S. steel producers bounced back. Imports' share of the steel market in

the U.S. fell to 25% last year from 29% in 2015.

Domestic producers have used their improved leverage to increase their prices. Ohio-based **AK Steel Holding Corp.**, for instance, has announced three price increases for its carbon steel products this year following on nine in 2016. Other producers in the U.S., including **U.S. Steel Corp.**, **ArcelorMittal SA** and **Nucor Corp.**, have raised prices too, according to analysts. AK Steel, U.S. Steel and ArcelorMittal declined to discuss their pricing strategy.

Nucor spokeswoman Katherine Miller said the price increases were in order, after cheap steel depressed the domestic market.

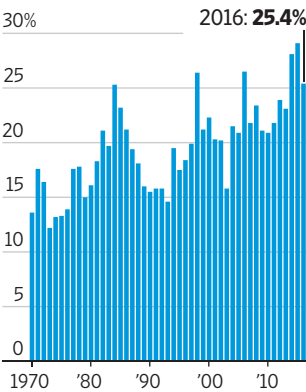
"The situation was unsustainable," Ms. Miller said.

The duties, she said, "allow pricing to be determined by market forces and not be distorted by foreign government subsidies."

Last month, North Carolina-

### Dented by Duties

Imports' share of the U.S. steel market fell last year after the imposition of trade tariffs.



Source: American Iron and Steel Institute

THE WALL STREET JOURNAL.

based Nucor said its first-quarter profit would be between \$1.10 and \$1.15 a share, up from 27 cents for the same quarter last year.

U.S. steel consumption in

the first two months of the year was up 5% from a year earlier, but some analysts say producers in the U.S. misjudged demand in raising prices aggressively.

"Demand is OK, but it's not as strong as it needs to be to support the price increases we've seen," said Becky Hites, president of steel market consultancy Steel-Insights LLC in Atlanta.

Ms. Hites expects steel demand to weaken later in the year.

The tariffs on steel haven't blunted imports entirely. Steel imports for January and February rose nearly 2% from a year earlier. "There are dozens of countries that ship steel into the U.S. that have no tariffs," said Kevin Dempsey, vice president of public policy for the American Iron and Steel Institute.

Steel imports from Vietnam, for example, rose more than 300% last year.

Please see STEEL page B2

## Tesla Vies With GM On Value

By Tim Higgins

Silicon Valley overtook the Motor City on Monday.

**Tesla Inc.** became the largest U.S. auto maker by market value in morning trading, passing **General Motors Co.**—a feat that would have seemed highly improbable 13 years ago when the electric-car maker based in Palo Alto, Calif., first began tinkering with the idea of making a sports car.

Shares in Tesla rose as high as \$313.73 before noon in New York, pushing the company's market capitalization to \$51.17 billion. That high-water mark exceeded Detroit-based GM, which at its lowest point Monday was worth \$50.93 billion.



Shares in electric-car maker Tesla are up over 40% this year.

By the market's close in New York, however, Tesla's gains had faded to \$50.95 billion compared with GM's \$51.18 billion. **Ford Motor Co.** closed the day at \$44.71 billion.

Still, that Tesla was able to pass GM underscores the profound change occurring in the global automotive industry as Silicon Valley pursues a vision for transportation—including

self-driving cars and vehicles on demand—that could upend century-old competitors. Last week's disappointing monthly sales results by traditional auto makers served as a further example to investors concerned that the profitable U.S. new-car market is plateauing.

"We've built a track record of strong financial perfor-

Please see TESLA page B2

## BHP Must Show Oil and Iron Can Mix

Drilling for oil and digging up minerals are different businesses, and companies should stick to what they do best. So argues hedge fund

**Elliott Management**, which proposed Monday that BHP Billiton, the world's largest mining company, should spin off its U.S. oil assets.

Elliott has a point: BHP shares have underperformed those of rival Rio Tinto since the commodity crash in 2011. Stocks of some pure-play North American oil firms such as **Anadarko Petroleum** have also held up better. But Elliott's claim of gains as high as 51%

for shareholders look rosy.

BHP and Rio Tinto both produce iron ore, but Rio is much more of a pure iron-ore play. Nonetheless, BHP's shares fell nearly 80% in dollar terms from mid-2011 to early 2016 when commodities bottomed out, while Rio's shares fell around 70%. Both firms have seen their stock prices nearly double as commodities roared back.

The main issue with Elliott's analysis appears to be optimistic projections for BHP's valuation after the reorganization. Elliott notes that after BHP's 2015 spinoff of most of its coking coal and manganese assets into **South32**, the new firm's shares dramatically outperformed—Elliott puts shareholder returns at nearly 40% since the spinoff, against a 17% fall for BHP itself.

Coal, however, isn't oil. Coking coal was the best-performing industrial commodity of 2016, with futures on China's Dalian exchange nearly tripling. Oil prices, meanwhile, have already nearly doubled since early 2016. Higher oil prices, in other words, may already be baked into BHP's share price. And BHP gets other benefits from exposure to oil. In its most recent assessment, Moody's noted the firm's diverse product base, including oil as one important factor supporting its rating.

The onus is on the firm to prove being in oil is really enhancing shareholder value for a big mining company.

But investors watching BHP's shares head higher Monday should take Elliott's projections with a healthy grain of salt.



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## BANK

Continued from the prior page

The report described Ms. Tolstedt's work on tackling sales-practices problems—including allegations of fake accounts being opened for unsuspecting customers—as insufficient. She and some of her top managers ran the division as “insular and defensive,” not liking “to be challenged or hear negative information.”

At one board meeting in October 2015, Ms. Tolstedt gave a presentation that directors later felt “minimized and understated problems” at her unit. At a May 2015 meeting, she told some board members 230 people had been terminated over sales-practice issues, a number far short of the aggregate total.

A lawyer for Ms. Tolstedt, Enu Mainigi of Williams & Connolly LLP, said: “We

Some executives knew as early as 2012 of problems with the cross-selling strategy.

strongly disagree with the report and its attempt to lay blame with Ms. Tolstedt. A full and fair examination of the facts will produce a different conclusion.”

As early as 2012, some top Wells Fargo retail banking and risk executives knew the firm had a problem with its strategy of “cross selling” multiple products to the same customer. The issue grew with a Los Angeles Times story on the topic and a 2015 lawsuit by the Los Angeles city attorney.

The bank's board wrestled with how widespread the problem was. “Stumpf was by nature an optimistic executive who refused to believe that the sales model was seriously impaired,” according to the report. “He was too late and too slow to call for inspection or critical challenge to the basic business model.”

Wells Fargo CEO Timothy

Sloan said the board's report is critical and complements the bank's continuing work and changes.

“The board's report is a necessary examination of what went wrong in our culture, operations and governance,” Mr. Sloan said. “Because of our decentralized operating model, our corporate leadership took too long to understand the seriousness and scope of the problem, and, as a result, the actions we took over the years to address it weren't adequate.”

Mr. Sloan, the successor to Mr. Stumpf, was among eight other executives who didn't receive 2016 cash bonuses and who received certain equity clawbacks. He hasn't had other pay clawed back, in part because he wasn't closely involved in overseeing the retail unit until recently.

Both Messrs. Stumpf and Sloan were interviewed for the board's investigation, Mr. Sanger said on the call. Ms. Tolstedt didn't participate on advice of her lawyer, according to the report. Mr. Stumpf's lawyer declined to comment on the report.

The bank's directors also faulted the lender's decentralized organization and the autonomy it gave business heads who were encouraged to “run the business like they own it.” Functions including risk and human resources reported into the unit heads without enough companywide attention, the report added.

Ms. Tolstedt, an executive whose rise once paralleled Wells Fargo's own success, was singled out 142 times in the report. At one point, it said she was “scared to death” of taking a step that could hurt her unit's sales figures. At another, it said there was “no evidence that Tolstedt showed serious concern about the effects of improper sales practices on Wells Fargo's customers.” It explained the \$47 million clawback by saying “that cause existed for terminating Tolstedt's employment.”

The report, which was approved by all the board's independent directors, didn't call for any other top-level clawbacks or terminations.

## BUSINESS & FINANCE

# Toyota to Spend Big in U.S.

By ADRIENNE ROBERTS

Toyota Motor Corp. said it is planning to invest \$1.3 billion in its Camry sedan plant in Kentucky and considering adding more U.S. capacity, moves that could thaw the Japanese auto company's relationship with the Trump administration.

The investment plan is long in the making, coinciding with the introduction of revamped products in the U.S.

Monday's announcement comes, however, on the heels of Toyota facing high-profile criticism from President Donald Trump this year for plans to build a \$1 billion plant in Guanajuato, Mexico.

Toyota's first rebuke from Mr. Trump came in January. In March, during a visit to Detroit, Mr. Trump revisited the Mexico issue briefly when meeting with Toyota's top U.S. executive, Jim Lentz.

“You have to build plants here,” Mr. Trump told him. “I know I gave you a hard time, but you have to build them here.”

“I understand,” Mr. Lentz replied.



JIM WATSON/AGENCE FRANCE PRESSE/GETTY IMAGES

Toyota plans to invest \$1.3 billion at its Camry plant in Kentucky.

In a statement distributed by Toyota, Mr. Trump said the auto maker's investment is “further evidence that manufacturers are now confident that the economic climate has greatly improved under my administration.”

Toyota joins Fiat Chrysler Automobiles NV and General Motors Co. in making big-dollar investment announcements for U.S. factories since Mr. Trump's inauguration.

Auto executives have cited optimism related to tax reform, the potential relaxation of emissions standards and other factors for investing. Toyota President Akio Toyoda

said in January that maintaining a good relationship with Mr. Trump is critical.

Mr. Toyoda aims to invest \$10 billion in the U.S. over the next five years. The 8,200 people employed at the plant being revamped in Georgetown, Ky., represent Toyota's largest factory in the world, the company said.

Toyota, however, has shown no appetite for following Ford Motor Co.'s decision to scrap a factory under construction in Mexico.

Toyota started construction on a plant south of the border in November where it will soon produce Corolla small

cars, which are hard to produce profitably in higher-cost markets such as Canada and the U.S.

Mr. Trump has threatened to slap a border tax on companies moving factory work abroad.

The Trump administration has more recently signaled it will seek only modest changes to the North American Free Trade Agreement, but tariffs could be reinstated.

Toyota has said that Mexican production made up less than 7% of its North American output last year. A company spokesman said the auto maker is watching the U.S. market closely and considering ways to increase capacity to meet demand for pickup trucks and sport-utility vehicles in the country.

The \$1.3 billion investment will go toward building new versions of the Camry and other models on a new engineering architecture. In 2016, the company said the plant produced more than 500,000 vehicles, nearly one-quarter of the total number of Toyota vehicles produced in North America.

## DRUGS

Continued from the prior page their own laboratories for decades and are highly profitable—accounting for eight out of the world's top 10 best-selling drugs—according to consultancy Frost & Sullivan. But the drugs require more than \$1 billion each to develop and can take more than a decade to bring to market, according to Pharmaceutical Research and Manufacturers of America, a trade group.

Under pressure from a string of expensive failures and a shrinking pool of patent-protected biotech drugs, global drugmakers are increasingly turning outward to find new breakthroughs.

Enter China. As part of a push to transform the home-grown drug industry, Beijing has thrown money and incentives at Chinese drug manufacturers: One program lured back Chinese scientists working overseas; billions of dollars were poured into technology parks dedicated to biotech startups; and drug-testing approvals for new biotech discoveries were speeded up.

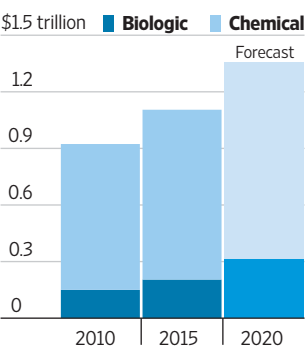
Most Chinese startups began by making copies or tweaked versions of existing biotech drugs, but some are advancing to the riskier business of creating biologics that haven't been tested on humans before.

Innovent Biologics Inc., the six-year-old startup near Shanghai, struck the biggest deal to date for a Chinese drug firm in 2015, when Lilly paid it \$56 million to co-develop three cancer drugs, including two discovered by Innovent. Innovent stands to earn more than \$1.4 billion over the next

### China's Biotech Boom

Biotech drugs will account for a quarter of the world's drug sales...

Drug sales

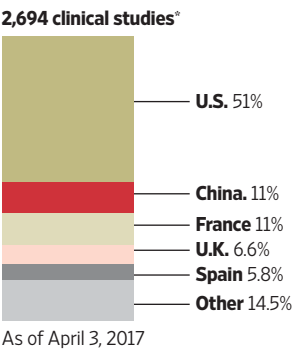


\*Figures don't add up to 100 due to rounding

Sources: Frost & Sullivan; U.S. National Institutes of Health

...with China accounting for many biotech drugs in development...

Open studies involving biologics



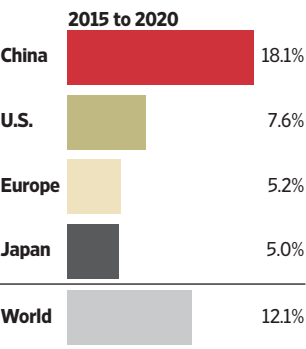
As of April 3, 2017

\*Compounded annual growth rate

Sources: Frost & Sullivan; U.S. National Institutes of Health

...and with its biotech-drug sector growing the fastest.

Fastest-growing markets†



THE WALL STREET JOURNAL.

## TESLA

Continued from the prior page mance,” a GM spokeswoman said in an email. “We'll stay focused on delivering outstanding results and making decisions to deploy capital where it will generate the strongest returns, to enhance shareholder value.”

Tesla declined to comment. GM remains the largest auto maker in the U.S. by market share, making up 17.3% of the sales last year, according to Autodata Corp. Tesla had a 0.2% share, which beat Ferrari and Maserati.

“What's fun about following this company now is that anything can happen,” Chaim Siegel, an analyst for Investing.com, said in an email about Tesla that aligns with investor sentiment even as the auto maker remains unprofitable and deeply in debt. “The potential is huge. The hopes are huge.”

Even some of Tesla's most optimistic followers didn't expect the extent of the recent surge in value. “We're pretty surprised by the recent run in Tesla's share price to over \$300 so quickly,” Adam Jonas, an analyst for Morgan Stanley, wrote in a note to investors as Tesla's market cap neared GM's. He had been targeting a \$305 price for Tesla. “Such is the power of technical factors over funda-

mental drivers,” he said.

Tesla shares are up over 40% this year, a move that last week led Chief Executive Elon Musk's company to surpass Ford as the second-largest auto maker. The exuberance comes even as Mr. Musk faces huge challenges in accomplishing all he is claiming to do, including making 500,000 vehicles next year after building just 84,000 last year and creating software that would enable a vehicle to drive itself.

“It's indicative of the market wanting to pay for potential, including into markets that don't exist yet in any large size such as [electric vehicles], home energy generation and storage, rather than profits and cash flow that the large auto makers generate,” said David Whiston, an analyst for Morningstar Research.

Mr. Musk, who has struggled to bring out new products before, faces the daunting challenge of later this year rolling out the \$35,000 Model 3 sedan, the linchpin in his plans to take the company into the mainstream from the rarefied air of selling luxury vehicles.

His acquisition of SolarCity Corp. late last year and removal of the word “Motors” from the company's official name are part of a vision of being able to offer solar panels to generate energy and batteries to store that power at home or the office—all for the benefit of the

vehicles being sold. He has begun shipping vehicles equipped with the hardware he says is needed to make them fully self-driving once the software is completed, aiming to demonstrate the prowess by year-end.

It is a vision that received a strong endorsement late last month with the revelation that Chinese technology company Tencent Holdings Ltd., best known for China's largest social network, WeChat, had acquired a 5% stake in Tesla.

“The sooner investors view Tesla as a transportation/infrastructure company rather than just a car company, the more we believe the industry events to come over the next 12 to 18 months will make sense,” Mr. Jonas wrote.

Investors continued to push Tesla shares higher last week after the announcement of a record quarter of vehicle sales. Meanwhile, GM reported a modest U.S. sales gain for March, lifted by truck demand.

GM has been aggressive in recent years in trying to thwart Tesla, pushing legislation in states in an attempt to block the company's strategy of selling directly to customers instead of using franchised dealers like the rest of the auto industry has done for generations. Tesla's belief in having the ability to control its own stores is prized highly among the company's senior leaders.

## STEEL

Continued from the prior page U.S. companies have accused foreign producers facing tariffs of using Vietnam to funnel their steel to the American market duty-free.

The companies asked the Commerce Department in September to investigate. The case is pending.

Analysts warn that higher prices in the U.S. will eventually drive down steel demand if U.S.-based manufacturers start losing business to foreign competitors who can buy cheaper steel in their countries and export finished products to the U.S.

President Donald Trump's desire to make U.S.-made products more competitive globally also could be undermined.

Passing on higher U.S. steel costs in exports is difficult when foreign companies have access to deeply discounted steel, said Hale Foote, president of California-based Scan-dic Springs Inc.

His company, which makes stamped springs and other steel parts, has seen costs for U.S.-made stainless steel rise 20% in four months.

“It really puts U.S. metal stampers in a pickle,” Mr. Foote said.

## The Mart

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Checked, Inc. developer of mobile apps providing  
real-time verification of dietary allergies and nutrition  
requirements. Related assets include: rights to the app  
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healthy recipe databases, www.contentchecked.com  
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Auction Date for Qualified Bidders: May 10  
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BUSINESS NEWS

# Stada Backs Private-Equity Takeover Offer

German drugmaker **Stada Arzneimittel AG** said Monday it would support a sweetened takeover offer by private-equity firms **Bain Capital LLC** and **Cinven Group Ltd.** valued

*By Friedrich Geiger in Berlin and Ben Dummett in London*

at €4.11 billion (\$4.35 billion), potentially a big payday for an activist investor that pushed hard for changes at the company.

Shares in Stada, Germany's largest maker of generic drugs, jumped 11% on Monday to close at €64.29.

Bain and Cinven jointly offered €65.28 a share for Stada

as well as a dividend of €0.72, Stada said. The bid is about 17% higher than an earlier proposal from Cinven alone of €56 a share.

"From today's vantage point, both boards expect to be able to recommend the offer for acceptance to the shareholders," said Stada, which makes cold medicine Grippostad and over-the-counter products including sunscreen.

Jefferies analyst James Vane-Tempest described the offer for Stada as "generous," saying he had previously believed private-equity firms would be willing to pay €65 a share.

The decision brings the bat-

tle over the future of Stada closer to an end, coming a year after German activist investor Active Ownership Capital disclosed that it had

*The decision brings the battle over the German drugmaker closer to an end.*

bought a stake in the company and pushed for a wide-ranging overhaul.

The battle heated up in February, when private-equity firm Advent International

Corp. offered to pay €58 a share for Stada. The company's supervisory board signaled openness to talks after Active Ownership last year succeeded with its demand for changes to the board, including replacing the chairman and appointing five new members.

Active Ownership owns 5.1% of the German company, according to FactSet.

Active Ownership's move against Stada and Monday's takeover agreement highlight recent moves by activist investors to challenge European management teams. Elliott Management Corp., owner of a 3% stake in Akzo Nobel NV, is leading an increasingly bitter

fight to push the Dutch paint and specialty chemicals company to enter friendly takeover talks with U.S. rival PPG Industries Inc. Meanwhile, RBR Capital Advisors AG is agitating for a shake-up of the board at Switzerland's GAM Holding AG. RBR, a Swiss-based hedge fund, owns 4.4% of GAM.

The private-equity interest in Stada underscores the appetite among such firms for deals, as the industry is flush with cash that it needs to invest.

As of December, private-equity firms had \$820 billion to invest, up from \$755 billion at the end of 2015, according to data provider Preqin.

# New York Times Collects 3 Pulitzers

By LUKAS I. ALPERT

The **New York Times** was awarded three Pulitzer Prizes, The Wall Street Journal received one, and the combined reporting of the New York Daily News and ProPublica won the coveted award for public-service journalism.

The Times took home the most prizes on Monday with recognition in the international reporting, feature writing and breaking news photography categories.

The Miami Herald also won two awards, one for editorial cartooning and the other for explanatory reporting, which it shared with the International Consortium of Investigative Journalists and media outlet McClatchy for coverage of the Panama Papers.

In a year when the presidential election dominated the world of journalism, the **Washington Post's** David Fahrenthold won the award for national reporting for his series of stories looking at President Donald Trump's reported charitable donations.

Peggy Noonan of The Wall Street Journal was awarded a Pulitzer Prize for commentary for her incisive coverage of the 2016 presidential election.

"I feel deeply grateful and deeply honored," Ms. Noonan said in an email.

For the 101st annual Pulitzer competition, the New York Daily News and ProPublica won the public-service award for their joint investigation into abuses of eviction laws that targeted mostly minority residents.

Lynn Nottage won in the drama category for her play "Sweat."

Columbia University, which oversees the awards, announced the winners on Monday.

# Treatment of United Passenger Triggers Huge Backlash

By SUSAN CAREY AND DOUG CAMERON

Videos of a man being dragged screaming off an overbooked United Airlines flight by law-enforcement officials ignited a firestorm of criticism that the carrier favored its own employees flying standby over paying customers.

Twitter and Facebook lit up with posts of videos taken Sunday night of a passenger being dragged off a flight at Chicago's O'Hare International Airport, the carrier's second drubbing on social media in as many weeks. The passenger was taken off Flight 3411 from O'Hare to Louisville, Ky., to make room for four crew members flying on standby, **United Continental Holdings Inc.** said on Monday.

After agents couldn't attract volunteers to leave the airplane in exchange for compensation, United chose four passengers at random to exclude from the flight. Three complied. "One customer refused to leave the aircraft voluntarily and law enforcement was asked to come to the gate," United said. The airline apologized for overbooking the



JULIO CORTEZ/ASSOCIATED PRESS

Airlines engage in bumping passengers because of overbooking.

flight.

Passenger Audra D. Bridges took a video of the fourth passenger's removal from the plane and posted it on Facebook. The brief footage shows three men heading down the aisle to remove the passenger, who starts grunting and screaming as they pull him out of the seat.

"Oh my God" and "No, oh my God," other passengers can be heard saying as the man is forcefully removed, his black shirt bunching up around his chest. Other comments included: "What are you doing?"

"No, this is wrong."

United Chief Executive Oscar Munoz said in a Twitter post that the airline had reached out to the passenger—who wasn't identified—to "further address and resolve this situation."

"This is an upsetting event to all of us here at United," he said, adding an apology to passengers on the flight. He said United was reviewing the incident with authorities.

Chris Allieri, founder of public-relations consultancy Mulberry & Astor, said United's response so far would

be seen as "almost irrelevant in the court of public opinion."

"You cannot erase these images from the internet," he said.

U.S. airlines talked more than 430,000 passengers into leaving overbooked flights in 2016, the Transportation Department said, usually in exchange for compensation worth several hundred dollars and a guaranteed seat on a later flight. About 40,000 passengers were also "involuntarily" denied boarding last year, the department said, a fraction of the 660 million passengers that flew in the U.S. last year. Overbooking tends to crop up during heavy travel periods like the current spring break rush.

George Hobica of Airfarewatchdog.com said United could have avoided the Sunday night debacle if it had increased the compensation offered to customers who opt to give up their seats on overbooked flights.

"Whatever it cost—\$1,000, \$2,000, \$3,000—would have been far cheaper than the cost to its reputation and the loss of business," he said.

United said it has a "pro-

cess" for determining which passengers to force off an overbooked flight when it can't entice volunteers. The airline said it takes into account how big a group is, connections, and frequent-flyer status.

Social-media explosions over airline transgressions seem to be coming more frequently and at greater cost to carriers. **Delta Air Lines Inc.** endured days of criticism after the airline canceled more than 3,700 flights last week after a thunderstorm caused an operational meltdown.

The backlash against United comes two weeks after a passenger overheard United gate agents in Denver deny boarding to two young girls because they were wearing leggings. A passenger began tweeting about the situation, which ended in the girls being denied entry for failing to match United's dress code for people traveling on "buddy passes," free or low-cost tickets airline employees and their friends can use. The nuance was lost in an avalanche of social media debating whether United's handling of the situation had been sexist.

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A Flipkart office in India. Flipkart says the new investment values the company at \$11.6 billion.

Flipkart Gets Big Investment

By NEWLEY PURNELL

NEW DELHI—Indian e-commerce startup Flipkart Group has raised \$1.4 billion from Microsoft Corp., eBay Inc. and Tencent Holdings Ltd., taking a hit to its valuation to raise the cash it needs to defend its home market from Amazon.com Inc.

Flipkart, which was started in 2007 by two former Amazon employees, said Monday that the new investment values the Bangalore company at \$11.6 billion. That allows Flipkart to retain its title as India's most valuable startup but is still a step down from the \$15 billion valuation it received during fundraising in 2015.

"This is a landmark deal for Flipkart and for India," Flipkart founders Sachin Bansal and Binny Bansal said in the statement, calling it the company's biggest fundraising round ever.

Flipkart said Chinese internet firm Tencent led the round, but a Flipkart spokeswoman declined to provide a breakdown of investments by

company. Separately, eBay said on Monday that it was selling its Indian business to Flipkart and was making a \$500 million cash investment in the startup for an equity stake.

While it is impressive that Flipkart could raise more than \$1 billion at a time when investors are increasingly concerned about startup valuations, analysts said the fact that it had to take a "down round"—or raise money at a lower valuation than its last round—shows the challenge it is facing from Amazon and difficult market conditions.

"Flipkart needs more money to survive and become profitable," said Satish Meena, an analyst at research firm Forrester. When Flipkart raised money at a higher valuation in 2015, there was a "mismatch between expectation and the growth of the market," he said.

India's e-commerce market was worth about \$16 billion last year, but should grow to \$48 billion by 2021, Mr. Meena said.

Amazon has pledged to spend \$5 billion in its rapid

rollout in India, which started in 2013. It has used its massive war chest and technology and logistics know-how to gobble up market share, already reaching the No. 2 spot behind Flipkart in terms of sales, analysts say.

In addition to girding Flipkart against Amazon, Tencent's investment shows that it has opened another front in its war with its Chinese rival Alibaba Group Holding Ltd.

Tencent already completes head on in China against Alibaba in sectors such as mobile payments, online video and cloud computing.

Alibaba, which runs China's most popular e-commerce website Taobao, led a \$200 million round of funding in Indian company Paytm's new e-commerce arm last month. Tencent last year led a \$175 million fundraising round in New Delhi-based messaging app Hike Ltd. Both companies are chasing growth abroad as their businesses mature at home.

—Liza Lin contributed to this article.

Amazon's Sellers Hacked

By LAURA STEVENS AND ROBERT MCMILLAN

Hackers are targeting third-party sellers on Amazon.com Inc., using stolen credentials to post fake deals and steal cash.

In recent weeks, attackers have changed the bank-deposit information on Amazon accounts of active sellers to steal tens of thousands of dollars from each, according to several sellers and advisers. Attackers also have hacked into the Amazon accounts of sellers who haven't used them recently to post nonexistent merchandise for sale at steep discounts in an attempt to pocket the cash, those people say.

The fraud stems largely from email and password credentials stolen from previously hacked accounts and then sold on what is dubbed the "dark web," a network of anonymous internet servers where hackers communicate and trade illicit information. Such hacks previously have favored sites such as PayPal Inc. and eBay Inc., but Amazon recently has become a target of choice, according to cybersecurity specialists.

"Hacking Amazon is becoming...increasingly a big deal," said Juozas Kaziukėnas, chief executive of Marketplace Pulse, a business-intelligence firm focused on e-commerce. "The value to be gained is bigger as Amazon grows."

While the precise scope and financial impact of the Amazon attacks is unclear, some sellers say the hacks have shaken their confidence in Amazon's security measures. Such third-party merchants are critical for Amazon's retail



The attacks targeted third-party sellers and have stolen money.

business, with more than two million sellers on the site accounting for more than half of its sales, including more than 100,000 sellers who each now sell in excess of \$100,000 annually.

An Amazon spokesman said the company "is constantly innovating on behalf of customers and sellers to ensure their information is secure and that they can buy and sell with confidence." The company withholds payment to sellers until it is confident customers have received their orders, and guarantees a full refund if a product doesn't arrive or isn't as advertised.

Sellers who lost money will be made whole. "There have always been bad actors in the world who try to take advantage of consumers for financial gain; however, as fraudsters get smarter, so do we," the spokesman said.

CJ Rosenbaum, a New York-based lawyer who represents Amazon sellers, says that more than a dozen of his clients have recently called to tell him they were hacked, a

number of whom lost about half of their monthly sales of \$15,000 to \$100,000. They are asking Amazon for their money back, Mr. Rosenbaum said.

Lightning X Products Inc. had \$60,000 evaporate from its Amazon account last month, said Andy Spivey, product manager of the Charlotte, N.C.-based bag maker. Mr. Spivey said Amazon notified him of suspicious activity, but by the time he logged in, the bank account information had been changed.

Lightning X has gone through its emails and scanned its systems for an attack. "We're not sure how they gained access to the account," Mr. Spivey said. Amazon told him Friday the money will be returned, he said.

Hacks of dormant Amazon seller accounts in particular have increased since mid-March, to more than 20 some days from the low single digits earlier this year, according to Marketplace Pulse, which monitors seller activity on e-commerce sites.

ADVERTISEMENT

Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK  
In re: SUNEIDSON, INC., et al., Debtors.<sup>1</sup> Chapter 11 Case No. 16-10992 (SMB)

NOTICE OF HEARING TO CONSIDER APPROVAL OF DISCLOSURE STATEMENT FOR JOINT PLAN OF REORGANIZATION OF SUNEIDSON, INC. AND ITS DEBTOR AFFILIATES PURSUANT TO CHAPTER 11 OF THE BANKRUPTCY CODE

PLEASE TAKE NOTICE OF THE FOLLOWING:  
1. CHAPTER 11 CASES. Beginning on April 21, 2016,<sup>2</sup> SunEidson, Inc. and certain of its affiliates, the debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). By order of the Bankruptcy Court, the cases are being jointly administered for procedural purposes under Case No. 16-10992.

2. PLAN AND DISCLOSURE STATEMENT. On March 28, 2017, the Debtors filed the Joint Plan of Reorganization of SunEidson, Inc. and its Debtor Affiliates dated March 28, 2017 (Docket No. 2671) as may be amended or supplemented from time to time and including all exhibits and supplements thereto, the "Plan") and the Debtors' proposed Disclosure Statement For the Joint Plan of Reorganization of SunEidson, Inc. and its Debtor Affiliates dated March 28, 2017 (Docket No. 2672) (as may be amended from time to time and including all exhibits and supplements thereto, the "Disclosure Statement"). On April 3, 2017 the Debtors filed the Debtors' Motion for Entry of an Order (A) Approving the Debtors' Disclosure Statement; (B) Approving Solicitation of the Administrative Agent under the Plan; and (C) Approving the Debtors' Joint Proposed Plan; (C) Approving the Form of Various Ballots and Notices in Connection Therewith; and (D) Scheduling Certain Dates (the "Motion").

3. DISCLOSURE STATEMENT HEARING. A hearing (the "Disclosure Statement Hearing") will be held before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge for the Southern District of New York, in the Bankruptcy Court, One Bowling Green, Courtroom 723, New York, New York 10004, on May 15, 2017 at 10:00 a.m. (prevailing Eastern time), or as soon thereafter as counsel may be heard, to consider the entry of an order, among other things, finding that the Disclosure Statement contains "adequate information" within the meaning of section 1125 of the Bankruptcy Code and approving the Disclosure Statement and certain other materials related to solicitation of acceptances of the Plan (the "Solicitation Package"). The Disclosure Statement Hearing may be adjourned from time to time and further notice of such adjournment may be given by the administrative agent under the Plan in the Bankruptcy Court of such adjournment on the date scheduled for the Disclosure Statement Hearing or as indicated in any notice of adjournment filed by the Debtors with the Bankruptcy Court.

4. OBJECTIONS TO DISCLOSURE STATEMENT. Any responses or objections to the adequacy of the Disclosure Statement must (a) be in writing; (b) comply with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure, the Local Bankruptcy Rules for the Southern District of New York, the Debtors' procedures and other case management rules and orders of this Bankruptcy Court; (c) state the name and address of the responding or objecting party and the nature and amount of the claim against or interest in the estates or property of the Debtors; (d) state with particularity the legal and factual basis for such response or objection and, if practicable, a proposed modification that would resolve such objection; (e) be filed with the Clerk of the United States Bankruptcy Court for the Southern District of New York, together with a copy of such response or objection, no later than May 9, 2017 at 4:00 p.m. (prevailing Eastern Time) by: (i) the Debtors, SunEidson, Inc., 13736 Riverport Dr., Maryland Heights, Missouri 63043; (ii) counsel to the Debtors, Skadden, Arps, Slate, Meagher & Fiom LLP, Four Times Square, New York, NY 10036, Attn: Jay M. Goffman (Jay.Goffman@skadden.com); J. Eric Ivester (Eric.Ivester@skadden.com); and 155 North Wacker Dr., Chicago, Illinois 60606-1720, Attn: Louis S. Chiappetta (Louis.Chiappetta@skadden.com); (iii) counsel to the Debtors, Togut, Segal & Segal LLP, One Penn Plaza, Suite 3335, New York, NY 10119, Attn: Frank A. Oswald (fswald@togssegal.com) and Brian F. Moore (bmoore@teamtsg.com); (iv) the Office of the United States Trustee, U.S. Federal Office Building, 201 Varick Street, Suite 1006, New York, NY 10014, Attn: Paul Schwartzberg (Paul.Schwartzberg@usdoj.gov); (v) counsel to the administrative agent under the Plan, the Debtors' administrative agent, Pillsbury Winthrop Shaw Pittman LLP, 1540 Broadway, New York, NY 10036, Attn: Daniel S. Brown (daniel.brown@pillsburylaw.com); (vi) counsel to the collateral trustee under the Debtors' prepetition second lien credit agreement and the indenture trustee under each of the Debtors' outstanding bond issuances, WilmerHale, 7 World Trade Center, New York, NY 10007, Attn: Andrew Goldman (andrew.goldman@wilmerhale.com); (vii) the Office of the United States Attorney for the Southern District of New York, 86 Chambers Street, 3<sup>rd</sup> Floor, New York, NY 10007; (x) counsel to the administrative agent under the postpetition debtor-in-possession financing facility, White & Case LLP, 1155 Avenue of the Americas, New York, NY 10036-2787, Attn: Scott Greissman (sgreissman@whitecase.com) and Elizabeth Feld (efeld@whitecase.com); (xi) counsel to the indenture trustee to the Debtors' convertible senior notes, White & Case LLP, 1155 Avenue of the Americas, New York, NY 10036-2787, Attn: Tom Laura (tlaura@whitecase.com); (xii) counsel to the official committee of unsecured creditors, Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, Attn: Matthew S. Barr, David J. Lender, Jonathan D. Polkes, Joseph H. Smolinsky and Jill Frizzley (SunEidson@weil.com) and Morrison & Foerster LLP, 250 West 55th Street, New York, NY 10019, Attn: Lorenzo Marinuzzi (lmarinuzzi@mofo.com), Jennifer Marines (jmarines@mofo.com) and Jonathan I. Levine (jlevine@mofo.com); (xiii) counsel to TerraForm Power, Inc. and TerraForm Global, Inc., Sullivan & Cromwell, 125 Broad Street, New York, NY 10004, Attn: Michael H. Torkin (mtorkin@sullcrom.com), Andrew G. Dietderich (dietdericha@sullcrom.com), John L. Hardiman (hardiman@sullcrom.com) and David R. Zylberberg (zylberbergd@sullcrom.com); (xiv) the Internal Revenue Service, 290 Broadway, New York, NY 10007, Attn: District Director; and (xv) the Securities and Exchange Commission, 200 Vesey Street, Suite 400, New York, NY 10281, Attn: Bankruptcy Department.

ONLY THOSE RESPONSES OR OBJECTIONS THAT ARE TIMELY FILED AND RECEIVED WILL BE CONSIDERED BY THE BANKRUPTCY COURT. OBJECTIONS NOT TIMELY FILED AND SERVED IN THE MANNER SET FORTH ABOVE WILL NOT BE CONSIDERED AND WILL BE DEEMED OVERRULED.

5. COPIES OF THE DISCLOSURE STATEMENT AND PLAN. Upon approval of the Disclosure Statement by the Bankruptcy Court, holders of claims against, or interests in, the Debtors who are entitled to vote on the Plan will receive a Solicitation Package. Copies of the Disclosure Statement, the Plan, the Motion, the Disclosure Statement Order, the other documents and materials related thereto, including certain solicitation materials, after they are filed, may be obtained from (i) the office of the Clerk of the Bankruptcy Court (the "Clerk's Office") during normal business hours; (ii) the Bankruptcy Court's electronic case filing system at [www.nysb.uscourts.gov](http://www.nysb.uscourts.gov) (a PACER login and password are required to access documents on the Bankruptcy Court's website and can be obtained through the PACER Service Center at [www.pacer.psc.uscourts.gov](http://www.pacer.psc.uscourts.gov)); or (iii) the Debtors' administrative agent, Prime Clerk, Inc. (the "Claims and Solicitation Agent"). (a) at the Debtors' restructuring website at <https://cases.primeclerk.com/sunedison>, (b) upon request by mail to SunEidson Ballot Processing c/o Prime Clerk, Inc., 830 Third Avenue, 3<sup>rd</sup> Floor, New York, NY 10022 or (c) upon request by telephone at (855) 388-4575 or via email at [sunedisonballots@primeclerk.com](mailto:sunedisonballots@primeclerk.com). PLEASE NOTE: Neither the staff of the Clerk's Office nor the Claims and Solicitation Agent can give legal advice.

Dated: New York, New York, April 5, 2017, SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP, By: /s/ James J. Mazza, Jr., Jay M. Goffman, J. Eric Ivester, Four Times Square, New York, New York 10036-6522, Telephone: (212) 735-3000, Fax: (212) 735-2000 -and James J. Mazza, Jr. (admitted pro hac vice), Louis S. Chiappetta (admitted pro hac vice), 155 N. Wacker Dr., Chicago, Illinois 60606-1720, Telephone: (312) 407-0700, Fax: (312) 407-0411, Counsel for Debtors and Debtors in Possession.

The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number are as follows: SunEidson, Inc. (5787); SunEidson DG, LLC (N/A); SUNE Wind Holdings, Inc. (2144); SUNE Hawaii Solar Holdings, LLC (0994); First Wind Solar Portfolio, LLC (5014); First Wind California Holdings, LLC (7697); SunEidson Holdings Corporation (8669); SunEidson Utility Holdings, Inc. (6443); SunEidson International, Inc. (4551); SUNE ML 1, LLC (3132); MEMC Pasadena, Inc. (5238); Solaiex (1969); SunEidson Contracting, LLC (3819); NVT, LLC (5370); NVT Licenses, LLC (5445); Team Solar, Inc. (7704); SunEidson Canada, LLC (6287); Enflex Corporation (5515); Fotowatio Renewable Ventures, Inc. (1788); Silver Ridge Power Holdings, LLC (5886); SunEidson International, LLC (1567); Sun Edison LLC (1450); SunEidson Products Singapore Pte. Ltd. (7373); SunEidson Residential Services, LLC (5787); PVT Solar, Inc. (3308); SEV Merger Sub Inc. (N/A); Sunflower Renewable Holdings 1, LLC (6273); Blue Sky West Capital, LLC (7962); First Wind Oakfield Portfolio, LLC (3711); First Wind Panhandle Holdings III, LLC (4238); DSP Renewables, LLC (5513); Hancock Renewables Holdings, LLC (7616); GreenMountain Wind Holdings, LLC (N/A); Rattlesnake Flat Holdings, LLC (N/A); Somerset Wind Holdings, LLC (N/A); SunE Waiawa Holdings, LLC (9757); SunE MN Development, LLC (8669); SunE MN Development Holdings, LLC (5388); SunE Minnesota Holdings, LLC (8926); and TerraForm Private Holdings, LLC (5993). The address of the Debtors' corporate headquarters is 13736 Riverport Dr., Maryland Heights, Missouri 63043.

2 Certain other Debtors filed at later dates. Sunflower Renewable Holdings 1, LLC (6273); Blue Sky West Capital, LLC (7962); First Wind Oakfield Portfolio, LLC (3711); First Wind Panhandle Holdings III, LLC (4238); DSP Renewables, LLC (5513); Hancock Renewables Holdings, LLC (N/A) filed voluntary petitions on June 1, 2016. EverStream Holdco Fund I, LLC (9564) filed a voluntary petition on July 20, 2016. Buckhorn Renewables Holdings, LLC (7616); GreenMountain Wind Holdings, LLC (N/A); Rattlesnake Flat Holdings, LLC (N/A); Somerset Wind Holdings, LLC (N/A); SunE Waiawa Holdings, LLC (9757) filed voluntary petitions on August 9, 2016. SunE MN Development, LLC (8669); SunE MN Development Holdings, LLC (5388); and SunE Minnesota Holdings, LLC (8926) filed voluntary petitions on August 10, 2016. TerraForm Private Holdings, LLC (5993) filed a voluntary petition on December 16, 2016.

By JOHN D. MCKINNON

WASHINGTON—A federal regulator's plan to roll back Obama-era net-neutrality rules is sparking another battle that is expected to rival or exceed the epic political clashes over internet regulation in recent years.

The dispute intensified last week when Federal Communications Commission Chairman Ajit Pai held a closed-door meeting with telecommunications groups to sketch out his ideas for rolling back the 2015 net-neutrality rules, one of the Obama administration's signature regulatory changes.

Mr. Pai's emerging rollback plan appears aimed at preserving the basic principles of net neutrality, while shifting oversight responsibility to the Federal Trade Commission to reverse what Republican critics view as the overreach of the previous approach.

Numerous online consumer groups—as well as many congressional Democrats and some internet firms—regard the current rules as essential for ensuring continued competition on the internet.

An industry group, the Internet Association, was set to meet with Mr. Pai on Tuesday, aiming to try to preserve net-

neutrality protections. A prominent member of the group, Facebook Inc., said it is working through the association "to support strong, enforceable net-neutrality rules, and will continue to do so," according to a spokesman.

"The internet industry stands with our consumers who demand strong, enforceable net-neutrality rules to protect their access to the entire internet," said Noah Tharan, a spokesman for the Internet Association. Broadband providers "must not be allowed to tip the scales in favor of their own, or preferred, websites and apps."

The FCC's net-neutrality rules required internet service providers such as cable and wireless firms to treat all internet traffic the same. Telecommunications firms and many Republicans said those rules went too far, particularly by reclassifying the companies as common carriers, potentially subjecting them to stringent government regulation.

Broadband carriers have challenged the current net-neutrality rules in court, so far unsuccessfully. Mr. Pai seems likely to move forward with his changes, even if carriers win in court.

But his move would likely

touch off its own court challenge by consumer groups, and the conflict is likely to spill over to Congress and could engulf media companies as well.

While the passion on both sides hasn't diminished, the dynamics of the fight could shift somewhat under a new administration. Companies in Silicon Valley, generally strong allies of former President Barack Obama, might feel less eager to pick a fight with Republicans. Republicans in Congress

Many see the current rules as essential to ensuring continued competition online.

already are unhappy over online firms' recent opposition to another regulatory rollback benefiting broadband carriers, this one affecting consumers' privacy rights.

After Mr. Pai's thinking on net neutrality became public last week, consumer groups denounced it as a sellout to big telecommunications firms, because it would rely on industry commitments to abide by net-neutrality principles,

rather than explicit rules.

Under the plan, violators could be pursued by the FTC using its broad authority to prevent unfair and deceptive trade practices, according to people familiar with the matter.

The FCC declined to comment.

Some telecommunications firms have long favored handing internet oversight to the FTC, which is viewed as less powerful than the FCC in some ways.

The FTC has oversight over huge swaths of the business world, leading some observers to question its expertise in the often-technical telecommunications sector. The FTC often is limited to determining whether a company's actions amount to a deceptive or unfair trade practice. It also handles some antitrust inquiries. The FCC, by contrast, can be more proactive in spelling out detailed rules of the road for firms.

However, the FTC's current acting chairwoman, Maureen Ohlhausen, a Republican like Mr. Pai, has argued that the agency is well-suited to ride herd on internet competition, because of its extensive responsibilities for enforcing antitrust laws.

BUSINESS WATCH

LVMH

Luxury House Sees Revenue Rise 15%

French luxury conglomerate LVMH Moët Hennessy Louis Vuitton SE said Monday that first-quarter revenue surged 15%, fueled by strong sales across the company's empire of luxury brands.

Revenue for the quarter was €9.9 billion, beating analyst expectations of €9.5 billion. Adjusting for currency effects, that was a 13% increase compared with the same period a year ago.

LVMH's fashion and leather-goods division—including its flagship Louis Vuitton brand—led the way, with sales rising 15% to €3.4 billion.

LVMH's brands include spirits such as Hennessy Cognac, fashion-label Celine and the high-end watchmaker Hublot.

—Matthew Dalton

WHOLE FOODS

Jana Partners Seeks Faster Turnaround

Activist investor Jana Part-



Louis Vuitton led LVMH's revenue surge with sales rising 15%.

ners LLC has amassed a nearly 9% stake in Whole Foods Market Inc. and wants the upscale organic grocer to speed up its turnaround efforts while also exploring a possible sale.

Jana, Whole Foods' second-largest shareholder, is planning to press the chain to improve its technology and operations to better compete with larger rivals, shake up its board and find out

how much a potential bidder might be willing to pay, according to people familiar with the matter.

Whole Foods wasn't immediately available for comment.

Jana's campaign is the latest quandary for Whole Foods, which has struggled to make the transition from highflying upstart with a loyal following into a large, national chain with the

kind of back-office systems tracking customers and inventory that rivals use to keep costs down and sales up.

—David Benoit and Heather Haddon

MAERSK

EU Clears Acquisition Of Hamburg Süd

The European Union's anti-trust watchdog on Monday approved plans by Maersk Line, the container shipping unit of Danish conglomerate A.P. Moller-Maersk A/S, to buy Hamburg Süd on the condition the German shipping line withdraw from five trade route alliances.

The European Commission said the parties pledged to withdraw Hamburg Süd from some trade routes connecting Europe with the Middle East, and Central and South America.

Carriers offer their services on trade routes through cooperation agreements with shipping firms. In such alliances, members jointly decide on capacity setting, scheduling and ports of call.

—Natalia Drozdiak



FINANCE & MARKETS

# Insurers Pursue Hesitant Uber Drivers

Motorists who drive for ride-sharing firms pose opportunity to sell costlier policies

By NICOLE FRIEDMAN

Hundreds of thousands of drivers who pick up passengers for **Uber Technologies Inc.** and **Lyft Inc.** are frustrating a push by big insurers to sell new ride-sharing plans. Firms including **Allstate Corp.** and **Geico** are eager to sell the plans, which are more specialized and typically more expensive than traditional auto policies.

But many motorists are unsure about the extent of their current coverage, confused about their options or unwilling to pay beyond what is legally required, according to insurance executives, analysts and drivers. Ride-sharing drivers aren't legally obligated to pay for anything beyond personal auto insurance.

"I just want to get the legal amount that I need and also spend as little as possible," said Cody Carlos Rodriguez, a graduate student in Honolulu who hasn't told his insurance company he uses his 2005 Kia Sedona minivan for business because he hasn't been asked. He said he drives for Uber about 20 hours a week.

These plans are designed to fill insurance gaps that could affect drivers and their vehicles. Traditional auto policies won't provide coverage during the periods a driver is provid-



Uber drivers who use traditional insurance policies can face gaps in coverage. Above, a sign at LaGuardia Airport in New York.

ing transportation services for pay, and policies provided by ride-sharing companies aren't always as comprehensive as a driver's own plan.

Ride-share drivers pose higher risks than typical drivers, insurers say, because they might drive more miles and spend time in busy or unfamiliar neighborhoods.

The first ride-sharing apps launched in 2012, but most insurers didn't begin offering policies tailored for ride-shar-

ing drivers until 2015 or last year. In February 2016, less than 15% of ride-sharing drivers surveyed by website NerdWallet and startup SherpaShare had purchased additional insurance.

The effort to create a new insurance market among part-time professional motorists is a reflection of how fast ride-sharing is taking hold five years after the first smartphone apps launched. Lyft had 700,000 drivers by the end of

2016, double the level a year before. Uber has 600,000 drivers in the U.S. Most work part-time, both companies said.

Ride-sharing insurance poses an immediate opportunity for auto insurers that have struggled in recent years with rising losses from car crashes. But analysts say changes in transportation technology threaten these insurers in the long run. As ride-sharing grows more popular, commuters might forgo own-

ing cars, and eventually self-driving cars could make personal auto insurance much cheaper or unnecessary.

Taxis and ride-sharing vehicles could account for 26% of miles traveled globally in 2030, up from 4% in 2015, according to a 2016 Morgan Stanley report.

Ride-sharing apps initially sparked a debate among insurers, ride-sharing companies, consumer advocates and public officials about who is ulti-

mately responsible for all portions of a shared ride. One early point of contention was accountability for the moment when a driver has logged onto a ride-sharing app but hasn't yet agreed to pick up a passenger.

In 2013, a driver in San Francisco who was logged into Uber but not carrying a passenger struck and killed a 6-year-old girl and injured her mother and brother. Uber initially said the driver wasn't providing services on its system at the time of the accident. The girl's family sued Uber and advocated for policy changes. The case settled for an undisclosed amount in 2015.

Since 2013, laws have passed in 45 states and Washington that require ride-sharing companies to provide some coverage, and similar legislation is pending in Vermont, Connecticut, Florida, Alaska and Oregon, according to the Property Casualty Insurers Association of America. The legislation doesn't apply to New York City, which only allows commercially insured vehicles to pick up passengers. Commercial insurance can cost much more than personal insurance.

Ride-sharing companies now provide liability insurance and physical damage coverage after a driver has agreed to pick up a passenger and while that passenger is in the car. But they still don't offer coverage for damage to drivers' cars during that period before a passenger is assigned.

DAVID BECKER/ALUVA PRESS

## Fiduciary Rule Felt Despite Delay

By MICHAEL WURSTHORN

Some brokerages are forging ahead with a new retirement-savings rule even though the Trump administration has postponed—and could cancel—its implementation.

The fiduciary rule had been set to take effect Monday, but the Labor Department delayed it for 60 days starting April 7. In that time, the department can revise it, rescind it or request another delay.

The rule would have required brokers who oversee \$3 trillion in tax-advantaged retirement savings to act in their clients' best interest. That is a stricter standard than many brokerages were using. After the rule was unveiled in April 2016, some brokerages moved clients from commission-based accounts that could run afoul of the rule to fee-only accounts.

Among firms that disclosed their plans after the fiduciary rule was announced, Merrill Lynch—Bank of America Corp.'s wealth-management

unit—and J.P. Morgan Chase & Co. say they are still moving most clients to fee-based accounts. A J.P. Morgan spokesman said the bank would push back its deadline to track the Labor Department's actions. Other brokerages including Morgan Stanley and Edward

*Some brokerages are proceeding with planned changes to retirement accounts.*

Jones have said they would keep some previously announced changes, such as lower commission charges and some sales restrictions.

Thomas Powers, 75 years old, was faced with the following choice: move his assets to a fee-based account at Merrill Lynch or close out his individual retirement account and move to a self-directed com-

mission-based brokerage account. "What's their motivation for the fee?" said Mr. Powers, a former marketing professional in Chautauqua, N.Y.

Mr. Powers was told soon after Merrill made its fiduciary-compliance plans known in October that he would have to move to a fee-based account if he wanted to keep his broker and access to Merrill's investment research. Mr. Powers for years had paid commissions for the stocks and bonds he directed his Merrill broker to buy in his IRA. Mr. Powers wanted to retain access to research but didn't want to pay 1% of assets annually, a typical fee for such an account, and told his broker he would move his funds to a rival brokerage.

At a meeting several weeks later, Mr. Powers's broker offered a discounted annual fee of 0.3%, which would put Mr. Powers's investment costs roughly in line with what he had been paying the past few years. Mr. Powers eventually agreed to move to a fee-based account.

## India Cybertheft Attempt Echoed Bangladesh Heist

Cyberthieves who attempted to steal \$170 million from an Indian bank last July used methods that strongly resemble those of an earlier, successful \$81 million heist targeting Bangladesh's central bank, according to people familiar with the matter.

*By Julie Steinberg in Hong Kong and Gabriele Parussini in Mumbai*

The similarities between the Indian and Bangladeshi hacks underscore concerns about a rash of cyberattacks in recent months on financial institutions around the world, including banks in the U.S., Mexico, Poland and the U.K. Some of these hacks have been linked to groups affiliated with North Korea, cybersecurity specialists said earlier this year.

State-owned **Union Bank of India Ltd.**'s computer system was infected with malware that allowed thieves to authorize the transfer of around \$170 million from the bank's account in New York to private accounts in five locations, people familiar with the matter said. Fast detection by bankers allowed the Indian lender to prevent the money's release.

Investigators studying the Indian hack said similar tactics and coding were used by computer criminals who attempted to steal nearly \$1 billion from Bangladesh's account at the Federal Reserve Bank of New York in February of last year. Many orders had been filled with misspellings and formatting errors, and the Fed blocked some of the withdrawal—but the thieves were able to move about \$81 million to accounts in the Philippines.

U.S. prosecutors are building cases that would accuse North Korea of directing the Bangladeshi attack. North Korea's mission to the United Nations didn't respond to requests for comment.

This account of the Union Bank of India hack is based on interviews with Arun Tiwari, the bank's chairman, and sev-



Union Bank of India was targeted with malware.

ADEEL HALIM/ALUVA PRESS

eral other people familiar with the incident.

The attack on Union Bank began in late July last year when an employee opened an attachment on an email that appeared to have come from India's central bank, Mr. Tiwari said. That action activated a piece of malware that allowed the hackers to steal Union Bank's access codes for the international messaging system banks use to authorize cross-border transactions, known as the Society for Worldwide Interbank Financial Telecommunication, or Swift.

The hackers then used those codes to send authentic-looking instructions to a Union Bank account at Citigroup Inc. in New York, which handles processing of wire transfers and clears dollar transactions. The instructions ordered around \$170 million to be sent to accounts in Thailand, Cambodia, Australia, Hong Kong and Taiwan.

The money went to several shell companies associated with Asian—in particular Chinese—organized crime syndicates, according to a person familiar with the matter.

The cybercriminals behind the Bangladesh heist similarly stole bank codes to place fake transfer orders. Swift in November said banks using its network had sustained fresh attacks from hackers since the Bangladesh heist. Swift de-

clined to comment on whether Union Bank of India was one of those banks, although Mr. Tiwari said Swift officials have been working with Union Bank since the day of the hack.

Swift generally creates two reports per transaction: one sent to the originating bank, in this case, Union Bank, and another to the so-called correspondent bank handling the overseas transactions, which was Citigroup. The correspondent bank then forwards its report to the originating bank the next day, so it can cross-check the transactions.

On July 21, an employee in Union Bank's treasury department who was comparing the reports found that Citigroup had executed six transactions that Union Bank hadn't intended to authorize. He notified senior executives of the mismatch, and the bank immediately began trying to get the money back. "This [office] was a war room that day," Mr. Tiwari said.

Union Bank recovered the money sent to Thailand, Cambodia, and Australia—more than half of the total—within 24 hours. It got a court order in Hong Kong to retrieve the rest of the funds, and had gotten all of its money back by July 24.

Employees on Citigroup's cybersecurity team observed similarities in how the malware behaved in the Union Bank attack and that used in the attack on Bangladesh's central bank. Citigroup is an intermediary bank for the New York Fed, which gives it visibility into certain transactions.

Ernst & Young LLP, which was hired by Union Bank to investigate the hack and its aftermath, also concluded it had been executed similarly to the attack on the Bangladesh central bank, according to Mr. Tiwari. In both cases, the malware reached the target banks by emails addressed to employees, and took control of Swift functions at the originating bank, a person familiar with the attack said.

—Robert McMillan contributed to this article.



Local militia blocked a pipeline linking Libya's Sharara field, shown in 2014, to an oil terminal.

CRUDE OIL

### Libya's Biggest Field Shuts Down Again

Libya's largest oil field, Sharara, was shut again after a local militia blocked the pipeline connecting the facility to an oil terminal, a Libyan oil official said Monday.

The Sharara oil field, which normally pumps 200,000 barrels a day in Libya's Western Sahara, had reopened a week ago after guards manning the pipeline struck a deal with the authorities over late wage payments.

Oil prices fell after the field reopened as the additional crude partly offset production cuts by the Organization of the Petroleum Exporting Countries aimed at ending a global oil glut.

—Benoit Faucon

CHINA

### Regulator Warns Banks Over Risks

China's banking regulator warned banks against rising risks and vowed to inspect their risk-control measures.

Banks must strengthen their efforts to prevent risks related to liquidity, wealth-management products, real estate and bond markets, as well as local government debt, among other areas, the China Banking Regulatory Commission said in a guideline issued Monday.

—Liyane Qi

PRIVATE EQUITY

### Apollo Global to Cut Its Stake in Hostess

Apollo Global Management

LLC is selling the majority of its stake in **Hostess Brands Inc.**, the maker of Twinkies and Ho Hos said Monday.

Through a public offering, the private-equity firm will slash its stake to 2.6% from 16.9%.

In total, affiliates of Apollo, Metropoulos & Co. and the Gores Group, which own a 50% stake in the company, will offer 20.1 million shares for sale.

Apollo and Metropoulos bought the snack maker out of bankruptcy in 2013. Later, they sold a majority stake to a publicly traded special-purpose acquisition company sponsored by Gores Group in order to take the firm public. In its first quarterly report as a public company last month, Hostess reported surging sales and better-than-expected profit.

—Imani Moise

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## INTERNATIONAL INVESTMENT FUNDS

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FUND NAME	NAV	GF	AT	LB	DATE	CR	NAV	—%RETURN—
								YTD 12-MO 2-YR

■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866  
Fax No: 65-6835-8865, Website: [www.cam.com.sg](http://www.cam.com.sg), Email: [cam@cam.com.sg](mailto:cam@cam.com.sg)  
CAMS-GIF Limited 01 01 M05 03/31 USD 311119.76 3.0 7.6 -2.4

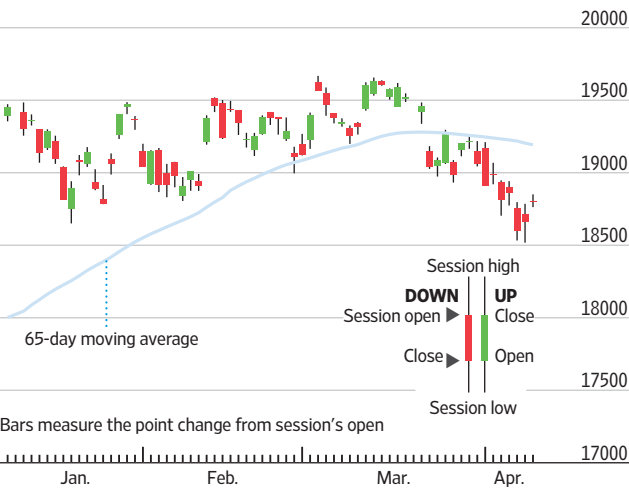
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MARKETS DIGEST

Nikkei 225 Index

**18797.88** ▲133.25, or 0.71%  
High, low, open and close for each trading day of the past three months.



STOXX 600 Index

**381.25** ▼0.01, or 0.003%  
High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 4 p.m. New York time  
**2357.16** ▲1.62, or 0.07%  
High, low, open and close for each trading day of the past three months.



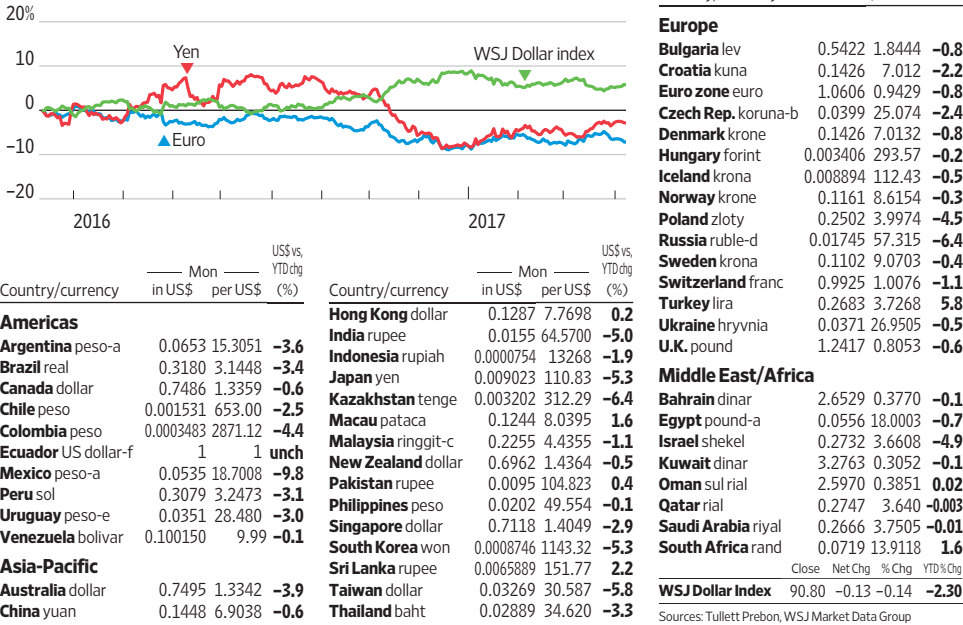
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World	The Global Dow		2679.17	-1.32	-0.05	2193.75		2720.47	6.0
	MSCI EAFE		1779.71	-0.40	-0.02	1471.88		1956.39	3.7
	MSCI EM USD		958.00	-3.61	-0.38	691.21		1044.05	20.6
Americas	DJ Americas		569.08	0.81	0.14	480.90		577.65	5.3
	Sao Paulo Bovespa		64565.41	-27.69	-0.04	48066.67		69487.58	7.2
	S&P/TSX Comp		15729.75	62.62	0.40	13422.13		15943.09	2.9
	IPC All-Share		49535.94	192.30	0.39	43902.25		49590.85	8.5
	Santiago IPSA		3782.66	9.32	0.25	2998.64		3786.05	17.4
U.S.	DJIA		20658.02	1.92	0.01	17063.08		21169.11	4.5
	Nasdaq Composite		5880.93	3.11	0.05	4574.25		5936.39	9.2
	S&P 500		2357.16	1.62	0.07	1991.68		2400.98	5.3
	CBOE Volatility		13.95	1.08	8.39	9.97		26.72	-0.6
EMEA	Stoxx Europe 600		381.25	-0.01	-0.003	308.75		381.26	5.5
	Stoxx Europe 50		3159.28	-4.18	-0.13	2626.52		3174.79	4.9
	ATX		2910.50	1.76	0.06	1981.93		2913.76	11.2
	Bel-20		3822.08	2.64	0.07	3127.94		3827.15	6.0
	CAC 40		5107.45	-27.83	-0.54	3955.98		5135.28	5.0
	DAX		12200.52	-24.54	-0.20	9214.10		12375.58	6.3
	ATG		681.46	0.38	0.06	517.10		683.58	5.9
	BUX		32468.30	-132.04	-0.41	25126.36		34334.92	1.5
	Tel Aviv		1396.06	...	Closed	1372.23		1504.42	-5.1
	FTSE MIB		20202.05	-98.01	-0.48	15017.42		20540.39	5.0
	AEX		519.16	0.46	0.09	409.23		519.76	7.4
	WIG		59112.38	-175.54	-0.30	42812.99		60631.65	14.2
	RTS Index		1084.26	-29.19	-2.62	864.46		1196.99	-5.9
	IBEX 35		10437.70	-91.30	-0.87	7579.80		10534.50	11.6
	SX All Share		562.12	1.31	0.23	443.66		564.93	5.2
	Swiss Market		8616.68	-24.23	-0.28	7475.54		8710.26	4.8
	Johannesburg All Share		53139.96	286.60	0.54	48935.90		54704.22	4.9
Asia-Pacific	BIST 100		91240.45	2743.12	3.10	70426.16		91497.00	16.8
	FTSE 100		7348.94	-0.43	-0.01	5788.74		7447.00	2.9

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Mon in US\$	per US\$	US\$, YTD chg (%)
Europe			
Bulgaria lev	0.5422	1.8444	-0.8
Croatia kuna	0.1426	7.012	-2.2
Euro zone euro	1.0606	0.9429	-0.8
Czech Rep. koruna-b	0.0399	25.074	-2.4
Denmark krone	0.1426	7.0132	-0.8
Hungary forint	0.003406	293.57	-0.2
Iceland krona	0.008894	112.43	-0.5
Norway krone	0.1161	8.6154	-0.3
Poland zloty	0.2502	3.9974	-4.5
Russia ruble-d	0.01745	57.315	-6.4
Sweden krona	0.1102	9.0703	-0.4
Switzerland franc	0.9925	1.0076	-1.1
Turkey lira	0.2683	3.7268	5.8
Ukraine hryvnia	0.0371	26.9505	-0.5
U.K. pound	1.2417	0.8053	-0.6
Middle East/Africa			
Bahrain dinar	2.6529	0.3770	-0.1
Egypt pound-a	0.0556	18.0003	-0.7
Israel shekel	0.2732	3.6608	-4.9
Kuwait dinar	3.2763	0.3052	-0.1
Oman sul rial	2.5970	0.3851	0.02
Qatar rial	0.2747	3.640	-0.003
Saudi Arabia riyal	0.2666	3.7505	-0.01
South Africa rand	0.0719	13.9118	1.6
WSJ Dollar Index			
	Close	Net Chg	% Chg
	90.80	-0.13	-0.14
			-2.30

Sources: Tullett Prebon, WSJ Market Data Group

Sources: Tullett Prebon;WSJ Market Data Group

Global government bonds






Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/		Coupon	Maturity, in years	Yield	Spread Over Treasuries, in basis points			Yield	Yield		
					Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago
Australia	2	5.250		1.665	38.7	37.9	57.6	115.6	1.665	1.927	1.859
	10	4.750		2.582	22.5	18.0	41.2	69.6	2.562	2.989	2.416
Belgium	2	3.000		-0.569	-184.7	-187.4	-184.9	-116.1	-0.588	-0.498	-0.458
	10	0.800		0.773	-158.3	-162.4	-159.1	-137.6	0.758	0.986	0.344
France	2	0.000		-0.481	-175.9	-179.9	-180.4	-115.5	-0.513	-0.453	-0.452
	10	0.250		0.926	-143.0	-149.3	-145.3	-128.3	0.889	1.123	0.437
Germany	2	0.000		-0.844	-212.2	-209.3	-218.7	-121.6	-0.807	-0.835	-0.513
	10	0.250		0.209	-214.7	-215.4	-209.0	-162.1	0.228	0.487	0.099
Italy	2	0.300		-0.078	-135.6	-137.7	-132.9	-67.3	-0.090	0.022	0.030
	10	1.250		2.062	-29.4	-34.0	-20.9	-40.1	2.043	2.368	1.319
Japan	2	0.100		-0.216	-149.4	-150.0	-161.4	-94.7	-0.214	-0.262	-0.244
	10	0.100		0.050	-230.7	-233.3	-248.7	-180.1	0.050	0.090	-0.082
Netherlands	2	4.000		-0.773	-205.2	-203.7	-218.9	-119.0	-0.750	-0.837	-0.487
	10	0.750		0.476	-188.1	-190.9	-183.1	-152.6	0.473	0.746	0.193
Portugal	2	4.750		0.358	-92.0	-87.4	-133.2	-36.3	0.413	0.019	0.341
	10	4.125		3.803	144.6	146.5	146.4	143.0	3.847	4.040	3.150
Spain	2	2.750		-0.217	-149.5	-152.0	-145.3	-67.8	-0.233	-0.101	0.025
	10	1.500		1.607	-74.9	-78.0	-71.1	-19.2	1.602	1.866	1.527
Sweden	2	4.250		-0.637	-191.5	-191.9	-191.8	-116.6	-0.633	-0.567	-0.463
	10	1.000		0.544	-181.2	-184.8	-179.5	-97.1	0.534	0.782	0.749
U.K.	2	1.750		0.097	-118.1	-117.2	-125.3	-31.9	0.114	0.098	0.384
	10	4.250		1.078	-127.8	-130.4	-134.1	-35.2	1.078	1.235	1.368
U.S.	2	1.250		1.278	...	...	...	...	1.286	1.351	0.703
	10	2.250		2.356	...	...	...	...	2.382	2.577	1.719

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

**EXCHANGE LEGEND:** CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. \* Data as of 4/7/2017

	Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
	<b>Corn</b> (cents/bu.)	CBOT	366.25	6.75	<div><div></div></div> 1.88%	387.25	354.25
	<b>Soybeans</b> (cents/bu.)	CBOT	941.75	-0.25	<div><div></div></div> -0.03%	1,088.25	936.50
	<b>Wheat</b> (cents/bu.)	CBOT	428.25	4.25	<div><div></div></div> 1.00	477.00	416.25
	<b>Live cattle</b> (cents/lb.)	CME	112.150	0.350	<div><div></div></div> 0.31	114.200	103.150
	<b>Cocoa</b> (\$/ton)	ICE-US	1,954	-53	<div><div></div></div> -2.64	2,270	1,879
	<b>Coffee</b> (cents/lb.)	ICE-US	142.15	-0.25	<div><div></div></div> -0.18	161.55	138.55
	<b>Sugar</b> (cents/lb.)	ICE-US	16.58	-0.16	<div><div></div></div> -0.96	20.81	16.20
	<b>Cotton</b> (cents/lb.)	ICE-US	75.22	1.76	<div><div></div></div> 2.40	79.46	71.55
	<b>Robusta coffee</b> (\$/ton)	ICE-EU	2148.00	-22.00	<div><div></div></div> -1.01	2,279.00	2,093.00
	<b>Copper</b> (\$/lb.)	COMEX	2.6055	-0.0415	<div><div></div></div> -1.57	2.8360	2.4800
	<b>Gold</b> (\$/troy oz.)	COMEX	1255.50	-1.80	<div><div></div></div> -0.14	1,273.30	1,152.20
	<b>Silver</b> (\$/troy oz.)	COMEX	17.930	-0.221	<div><div></div></div> -1.22	18.540	16.000
	<b>Aluminum</b> (\$/mt)*	LME	1,944.00	-24.50	<div><div></div></div> -1.24	1,972.00	1,688.50
	<b>Tin</b> (\$/mt)*	LME	20,325.00	-25.00	<div><div></div></div> -0.12	21,225.00	18,760.00
	<b>Copper</b> (\$/mt)*	LME	5,810.00	-90.50	<div><div></div></div> -1.53	6,156.00	5,518.00
	<b>Lead</b> (\$/mt)*	LME	2,264.00	-78.00	<div><div></div></div> -3.33	2,445.00	2,022.00
	<b>Zinc</b> (\$/mt)*	LME	2,685.50	-117.00	<div><div></div></div> -4.17	2,958.50	2,555.00
	<b>Nickel</b> (\$/mt)*	LME	10,020.00	-310.00	<div><div></div></div> -3.00	11,095.00	9,430.00
	<b>Rubber</b> (Y.01/ton)	TCE	239.40	1.50	<div><div></div></div> 0.63	n.a.	n.a.
	<b>Palm oil</b> (MYR/mt)	MDEX	2538.00	-56.00	<div><div></div></div> -2.16	3,004.00	2,538.00
	<b>Crude oil</b> (\$/bbl.)	NYMEX	52.98	0.74	<div><div></div></div> 1.42	57.50	47.01
	<b>NY Harbor ULSD</b> (\$/gal.)	NYMEX	1.6460	0.0176	<div><div></div></div> 1.08	1.7770	1.4825
	<b>RBOB gasoline</b> (\$/gal.)	NYMEX	1.7577	0.0115	<div><div></div></div> 0.66	1.9065	1.5824
	<b>Natural gas</b> (\$/mmBtu)	NYMEX	3.236	-0.025	<div><div></div></div> -0.77	3.5070	2.7370
	<b>Brent crude</b> (\$/bbl.)	ICE-EU	55.89	0.65	<div><div></div></div> 1.18	59.89	50.00
	<b>Gas oil</b> (\$/ton)	ICE-EU	496.25	7.00	<div><div></div></div> 1.43	525.00	446.25

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Apr 10

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3342	1.6567	1.3242	0.0120	0.1717	1.4147	0.9988	...
Canada	1.3359	1.6587	1.3257	0.0121	0.1719	1.4164	...	1.0012
Euro	0.9429	1.1710	0.9358	0.0085	0.1214	...	0.7059	0.7068
Hong Kong	7.7698	9.6477	7.7111	0.0701	...	8.2394	5.8163	5.8234
Japan	110.8310	137.6200	110.0400	...	14.2650	117.5300	82.9700	83.0600
Switzerland	1.0076	1.2512	...	0.0091	0.1297	1.0686	0.7543	0.7552
U.K.	0.8053	...	0.7992	0.0073	0.1037	0.8541	0.6029	0.6036
U.S.	...	1.2417	0.9925	0.0090	0.1287	1.0606	0.7486	0.7495

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	0.98833%	0.43590%
Three month	1.15567	0.62985
Six month	1.42211	0.89640
One year	1.79844	1.20755
Euro Libor		
One month	-0.39857%	-0.33871%
Three month	-0.36071	-0.26286
Six month	-0.25429	-0.14700
One year	-0.13114	-0.02871



Citigroup, Delta Air Lines and J.P. Morgan Chase are among the firms scheduled to report their first-quarter results this week. S&P 500 companies are forecast to report earnings growth of around 9% from the first quarter last year, according to FactSet.

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# MARKETS

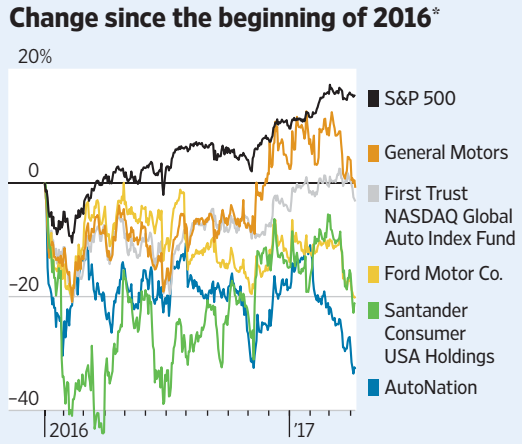
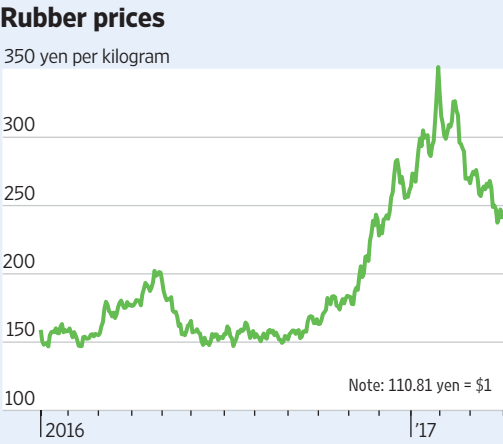
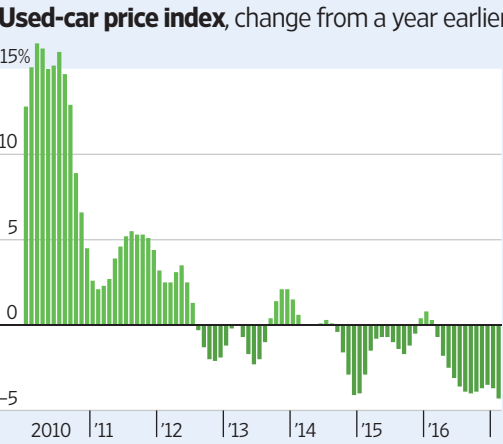
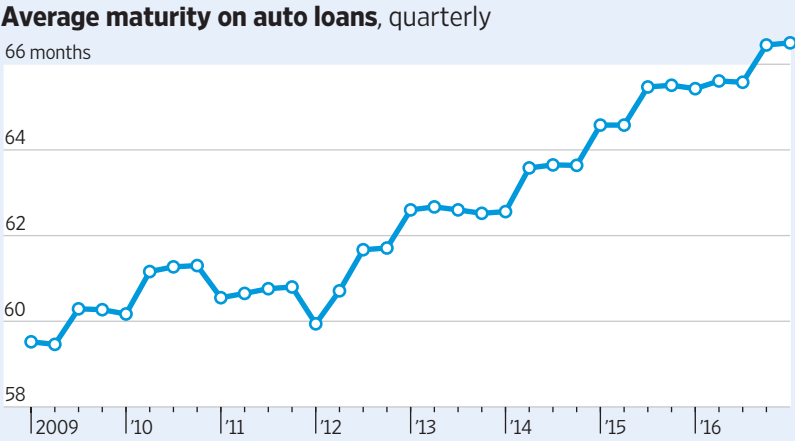
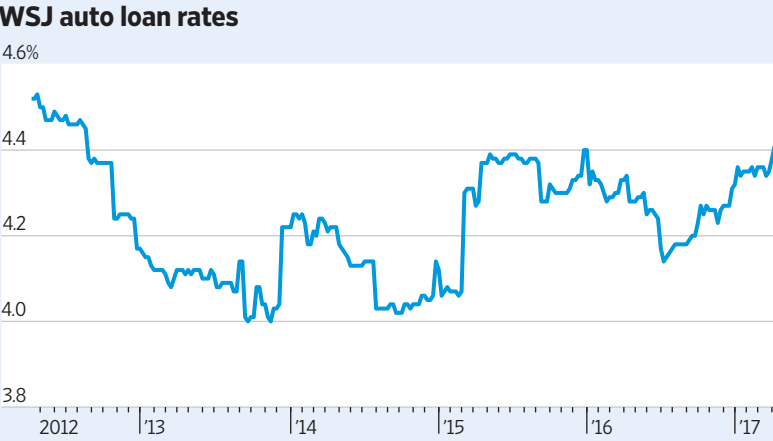
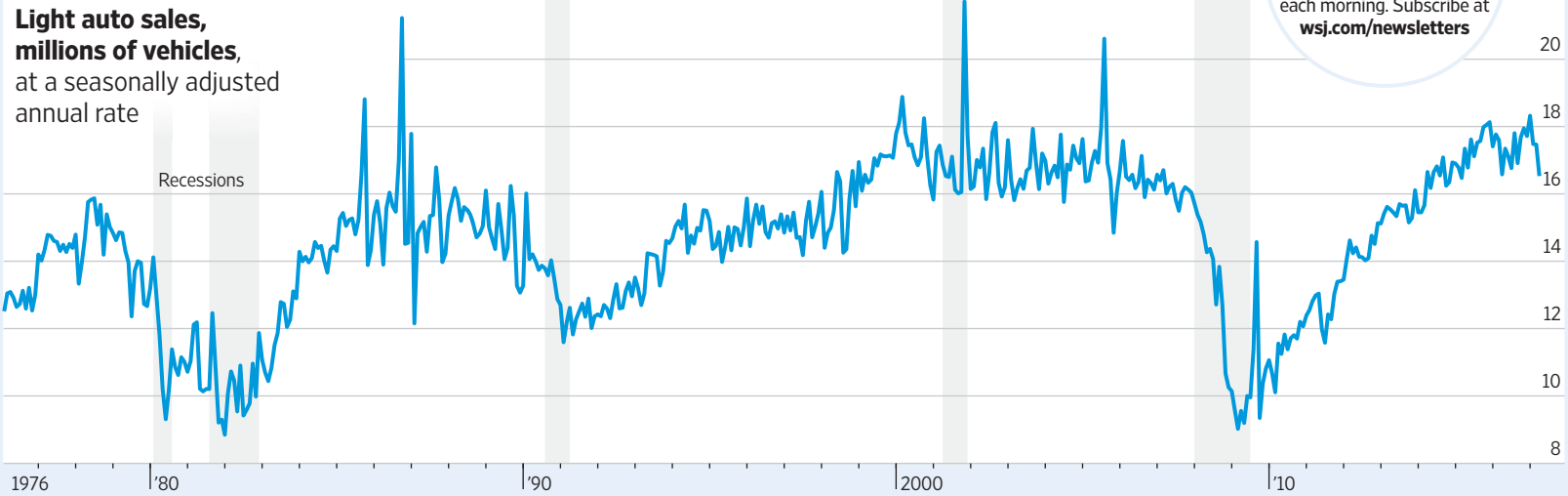
THE DAILY SHOT

## The Car Biz Hits the Skids

Slowing auto sales are forcing a reassessment of a key contributor to U.S. economic growth.

The slowdown, which follows a long expansion, reflects in part the impact of rising interest rates and the stretched finances of many borrowers, who are extending loans to maturities rarely seen before the financial crisis.

Used-car prices are falling as demand softens and the industry adds to incentives on new purchases and leases. The price of rubber, used primarily in tires, had been rising fast before a recent slump. Shares of car makers and finance firms have been hit hard.



Note: Figures for auto sales, used-car prices, loan rates and maturities are for the U.S. \*Through Friday  
Sources: Federal Reserve Bank of St. Louis (auto sales, loan maturities, used-car index); Bankrate.com (auto-loan rates); WSJ Market Data Group (rubber, stocks)

THE WALL STREET JOURNAL.

# HEARD ON THE STREET

Email: [heard@wsj.com](mailto:heard@wsj.com)

FINANCIAL ANALYSIS & COMMENTARY

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## The Biggest Threat to Ad Agencies

Silicon Valley likes to take credit for most business disruption, particularly in the media sector. But for advertising giants like **WPP** and **Omnicom**, the immediate worry isn't Google and Facebook but the lean, acquisitive operating model pursued by consumer-goods companies like Kraft Heinz.

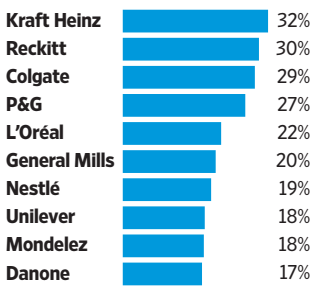
WPP shares plunged briefly last week when **Unilever**, one of the advertising giant's top five clients, published a strategic review. The Anglo-Dutch group said it would commission 30% fewer ads and drastically consolidate its use of agencies. This cost-cutting drive forms part of the company's self-defense strategy following a takeover offer, almost immediately withdrawn, from Kraft Heinz.

Investors were also spooked by WPP's decision last month to downgrade its organic-growth forecast from 3% to 2% for 2017. The shares are now down 5% year to date, even as the U.K.'s FTSE 100 index has risen.

The problem for WPP is that Unilever, whose brands include Hellmann's mayonnaise and Dove soap, isn't alone. Activist fund Trian re-

### Ad Men

Ebitda\* margins



\*Earnings before interest, taxes, depreciation and amortization  
Sources: FactSet; Reuters (photo)  
THE WALL STREET JOURNAL.

vealed in February that it had built a \$3 billion stake in Procter & Gamble, though not its precise demands. Nestlé, whose vast portfolio includes KitKat and Nespresso, signaled a fresh approach last summer by hiring its first chief executive from outside the group in almost a century.

The pressure from investors is partly a response to slow growth in a disinflationary era, and to the gradual decline of the packaged-foods industry as consumers increasingly prefer fresh foods. But it has received fresh urgency in light of



WPP Chief Executive Martin Sorrell

the success of Brazilian private-equity house 3G and its co-investor Warren Buffett in raising margins at Heinz—and then at Kraft, acquired by Heinz in 2015—to unprecedented highs.

Consumer goods, including food and beverages, accounted for 31% of WPP's sales last year, according to brokerage Macquarie. Few big groups can avoid wondering who Kraft Heinz will buy next. Management teams know their best defense is to show shareholders they can boost returns without outside help.

Ad agencies do face the threat of digital disruption. Google and Facebook are increasingly dominant platforms for advertising, accounting for virtually all incremental ad spending in the U.S., and they have automated systems designed to help clients efficiently allocate budgets. This threatens the core "planning" competency of traditional agencies.

Yet this threat remains somewhat theoretical. Reports of ads placed next to offensive content on Google's YouTube service have stirred the latest controversy, laying bare the problems of automated advertising. And the whole environment is developing so quickly and confusingly for brand owners that the likes of WPP, which has vacuumed up small digital agencies in recent years, can convincingly sell themselves as invaluable advisers as much as agents.

Fears that Silicon Valley will "disintermediate" ad agencies are currently looking somewhat overblown. For now, investors should worry more about the impact of 3G and its admirers in New York.

—Stephen Wilmot

### OVERHEARD

This story doesn't improve with retelling.

**DryShips**, a Greek owner of dry bulk carriers and tankers, announced late Thursday that it will execute a reverse stock split, effective Tuesday. Every four shares outstanding will be combined into one share of common stock.

DryShips stock plunged more than 25% Friday morning, closed 32% lower, and fell another 10% by Monday afternoon, possibly because its maneuver should sound familiar. This will mark the second reverse split of the year and the fifth one since last August.

Meanwhile, the latest reverse split comes less than a month after DryShips completed a \$200 million share offering, in which the company raised net proceeds of \$198 million.

DryShips shares have experienced extraordinary volatility, including a more than 1,500% rise immediately after the election. But the company is worth a fraction of its value from several years ago.

That is enough to make investors and day traders seasick.

## \$400 Million Man Arrives At Axovant

Is a new CEO really worth \$400 million? That is what investors in **Axovant Sciences** are saying.

The biotech startup focused on Alzheimer's disease treatments announced that David Hung has taken over as CEO. Dr. Hung is considered a hot hand in biotech. He arrives after running cancer-drug developer Medivation, which Pfizer purchased last summer for \$14 billion.

Axovant shares ripped 30% higher Monday morning. And there is a certain rationale for the frenzied trading. Dr. Hung said in an interview that he had more than 20 job offers to choose from, and investors are betting that he picked the company that is most likely to succeed.

Late-stage data for Axovant's lead experimental drug, Intepirdine, is due in late September for patients with mild to moderate symptoms of Alzheimer's. The drug does mark a different approach than other drugs that have recently failed clinical trials. That adds to the optimism for treatment of what is a massive unmet medical need.

But Alzheimer's disease ofers rich rewards to drug developers because so many treatments have fallen short. Before Medivation made its name developing cancer drugs, Dr. Hung led its development of an Alzheimer's treatment that looked terrific in early stage trials, only to fall flat in later studies. And given that Axovant has a market value of nearly \$2 billion but doesn't have an approved drug on the market, an investment amounts to a high stakes bet on positive clinical data.

That is a bet that Dr. Hung is willing to make. And investors, for now, are eager to follow suit. History says the odds are against them both.

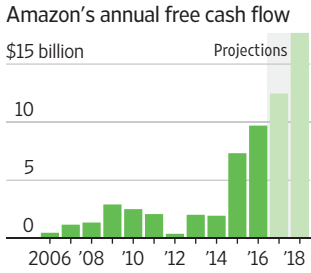
—Charley Grant

## Amazon Shares at \$1,000: Wall Street's Not-So-Bold Call

Remember when a \$400 price target on **Amazon.com** was considered controversial?

Many don't remember, considering that Henry Blodget's prediction occurred in 1998 when the young e-tailer was a sliver of its current size and primarily focused on selling books—at a loss. It seems quaint now, given that Amazon is now the fourth-largest company in the S&P 500 by market cap, ranking behind only **Apple**, **Microsoft** and Google parent **Alphabet**. Its stock price is now setting highs above the \$900 mark. Incidentally, after adjusting for

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Source: FactSet  
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stock splits, that \$400 target on Amazon in 1998 equates to about \$67 today.

Amazon's soaring market

value—up more than 50% in the past 12 months to more than \$430 billion—allows founder and CEO Jeff Bezos to sell about \$1 billion of his shares each year to fund his space exploration venture. But that hasn't stopped Wall Street from seeing the stars. Ten analysts now predict Amazon's shares will eclipse the \$1,000 mark in the next year, and 13 others have price targets within 5% of that goal, according to S&P Global Market Intelligence.

A heady projection, considering that \$1,000 would represent a multiple of about 140 times this year's expected

earnings. Amazon, of course, has never really been burdened by traditional measures of valuation. Its shares have averaged about 117 times forward earnings over the past decade, according to FactSet.

Wall Street expects Amazon's earnings to keep growing strongly, though the company's history of spending big in times of plenty makes that a moving target. Wall Street has chopped its 2017 EPS target for Amazon by 17% since the company's fourth-quarter report in February contained hints of another heavy investment year to come.

Still, Amazon today isn't

quite the Amazon of old, trying to survive on razor-thin retail margins. Its fast-growing web-services business has altered the company's earnings and cash flow dramatically, as have other offerings. Brian Nowak of Morgan Stanley estimates that Amazon's Prime membership, advertising and credit-card programs generated about \$9.3 billion in revenue last year and will grow to about \$12.7 billion this year—all with a combined operating margin of around 70%. Helpful, as Amazon still needs all the fuel it can get.

—Dan Gallagher