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What's News

Business & Finance

Arconic's CEO quit amid accusations that he sent a threatening letter to Elliott, the hedge fund that had pushed for his ouster. **A1**

♦ Health insurers are putting off key decisions about ACA marketplaces amid uncertainty about the fate of the health law. **A1**

♦ A murder video posted on Facebook ratcheted up pressure on the firm to better monitor its content. **B1**

♦ Theranos and its founder pledged to stay out of the blood-testing business for at least two years. **B1**

♦ Some investors are cutting back on emerging-market bets after a first-quarter buying spree. **B1**

♦ U.S. stocks rebounded after last week's declines. The Dow climbed 183.67 points to 20636.92. **B1**

♦ Google bought a tract of land east of Reno, Nev., on which it aims to eventually build a data center. **B3**

♦ Netflix said subscriber growth slowed, but profit rose as content costs were lower than expected. **B4**

♦ United beat analysts' expectations for the first quarter even as profit fell on higher fuel costs. **B3**

♦ BP said a leaking well on Alaska's North Slope had been brought under control. **B6**

World-Wide

♦ Turkey's vote on presidential powers contravened the law by changing ballot-counting rules, international observers said. **A1**

♦ Erdogan and EU officials clashed over the handling of the referendum, as calls in Europe grew to cut off accession talks with Turkey. **A7**

♦ U.S. and Afghan forces fought to dislodge Islamic State from a stronghold near where a massive U.S. bomb struck last week. **A1**

♦ Pence warned North Korea not to test U.S. strength but left open the possibility of resolving the threat with China's aid. **A16**

♦ South Korea's Park was indicted on 18 charges, including bribery and coercion, five weeks after she was removed as president. **A16**

♦ Arkansas's top court halted two executions, fraying state plans to put to death six men before lethal-injection drugs expire. **A3**

♦ Gorsuch took the bench at the Supreme Court for the first time, hearing three technical cases. **A2**

♦ Applications for H-1B visas for highly skilled workers dropped this year after years on the rise. **A2**

♦ Investigators released 11 search warrants in their probe into Prince's death. **A2**

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At North Korea Border, Vice President Pence Sends a Warning



TOUGH TALK: Vice President Mike Pence on Monday met with troops in South Korea at Camp Bonifas, near the demilitarized zone that separates the two Koreas. Mr. Pence stressed President Donald Trump's willingness to use military force to resolve crises. **A16**

Activists Claim Arconic CEO

By DAVID BENOIT AND BOB TITA

The long-simmering drama between an activist investor and the venerable aluminum giant once known as Alcoa reached a climax Monday, when the company's chief executive resigned amid accusations that he sent a threatening letter to his Wall Street tormentors.

Arconic Inc., a specialty parts manufacturer carved out of Alcoa's century-old aluminum-pro-

duction business in 2016, said Klaus Kleinfeld stepped down as chairman and chief executive after he sent an unauthorized letter to activist investor Elliott Management Corp. that Arconic's board of directors said showed poor judgment. The company said Mr. Kleinfeld left by mutual agreement.

Elliott said in a statement that the letter from Mr. Kleinfeld "read as a threat to intimidate or extort a senior officer of

Elliott Management based on completely false insinuations, a threat that we took seriously and about which we immediately and privately informed the Board." Elliott didn't elaborate, and copies of the letter weren't made available by either side.

Mr. Kleinfeld, a 59-year-old German national once hailed by media in that country as "Wonder Boy," didn't respond to requests for comment beyond a news release pledging to work

with his successor.

Mr. Kleinfeld will be replaced as CEO by director David Hess and as chairman by Patricia Russo, both on an interim basis.

The hedge fund's monthslong assault on Arconic has captivated Wall Street, where a debate is raging over how to balance a company's goals for the

Please see CEO page A8

♦ Heard on the Street: Arconic set back in activist feud... **B12**

At Site of Big Bomb, ISIS Battle Grinds On

By JESSICA DONATI

ASAD KHEL, Afghanistan—Near the blast site of the "Mother of All Bombs," U.S. and Afghan forces are trying to dislodge Islamic State from a mountain stronghold where the militant group recently established a new front.

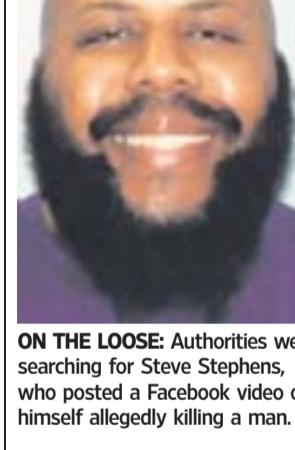
Afghan commandos and U.S. Special Forces clustered with their armored vehicles on Monday by a river at the foot of the Spingar Mountains, less than a mile from where the powerful U.S. bomb struck last week. Apache helicopters and fighter jets buzzed constantly overhead, and blasts echoed across the valley.

Remains of Islamic State fighters lay strewn in the grass yards away, casualties of a battle for control of the area that began more than two weeks ago, Afghan commandos told the first journalists to arrive in Asad Khel since Thursday's bombing. The bombing came days after an American soldier was shot in the neck and killed in a nearby village.

The bomb—often referred to by its nickname but officially called the GBU-43, or Massive Ordnance Air Blast—is one of the largest non-nuclear weapons in the U.S. arsenal and was used to target caves and tunnels in the valley beyond the village of Asad Khel.

A spokesman said the U.S. military is still assessing the damage from the bomb. An Afghan special forces commander, who was seeking shelter from the sun in a grove of

Facebook Manhunt



CLEVELAND POLICE/GETTY IMAGES

ON THE LOOSE: Authorities were searching for Steve Stephens, who posted a Facebook video of himself allegedly killing a man. **B1**

Kong Becomes First Giant Ape to Lose a Fight to a Dead Turtle

* * *
In Vietnam, plan for a statue falls in favor of honoring another creature

By JAMES HOOKWAY

HANOI—The recent movie "Kong: Skull Island" was filmed among the limestone cliffs and bays of northern Vietnam. It smashed box-office records when it opened here in March.

Not surprisingly, the local tourism authority thought it would be a fabulous idea to build a towering statue of Kong near the banks of the city's famous Hoan Kiem Lake. Spoiler alert: It ain't happening.

The statue plan provoked a strong public backlash—but not for the reasons one might imagine. The locals weren't concerned that a giant ape towering over the city might be an eyesore. Their main objection was putting the statue near the lake whose most fa-

ANKARA, Turkey—International observers said a closely contested vote on Turkey's presidential powers contravened Turkish law by changing rules on ballot-counting at the last minute, one of several alleged voting irregularities prompting domestic challenges and foreign criticism.

President Recep Tayyip Erdogan and his supporters hailed the unofficial results announced late Sunday as a win that expressed the will of the people, but the outcome was tight, with his "yes" side

getting 51.2% of the vote and "no" 48.8%. In the referendum voters were asked to approve a constitutional amendment to centralize governing powers in the president's office and radically alter Turkey's democracy.

"All debate regarding the constitution is over. It's clear what side the national will—our foundation—is on," Mr.

Erdogan said in a speech Monday.

Meanwhile, the U.S. sent mixed signals. President Donald Trump called Mr. Erdogan on Monday and congratulated him on the referendum outcome, U.S. and Turkish officials said. The White House in a statement confirmed Mr. Trump had spoken with Mr. Erdogan "to congratulate him on his recent referendum victory."

Please see TURKEY page A7

♦ Erdogan victory sparks protests, EU fight... **A6, A7**

THE FUTURE RESTOCKS BEFORE IT'S OUT OF STOCK

Intel is using artificial intelligence to help retailers predict what customers want before they want it.

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U.S. NEWS

Gorsuch Is Greeted by Technical Cases

BY JESS BRAVIN
AND BRENT KENDALL

WASHINGTON—With the yearlong struggle over a Supreme Court vacancy now complete, Justice Neil Gorsuch took the bench on Monday, but instead of wrestling with the nation's grandest legal questions, his debut crashed into the drabness of the day's cases.

The three cases the high court heard on Monday fell into the category of "dogs," the informal term at the Supreme Court for boring, technical disputes that excite no one but require resolution for the legal system to function consistently.

Justice Gorsuch was quick not only to demonstrate his command of the issues but also to argue that his preferred method of legal inter-

pretation—textualism, which focuses on the specific words of a statute to the near exclusion of other factors—should easily resolve things.

About 10 minutes into the first argument, Justice Gorsuch entered the fray, asking lawyer Christopher Landau whether his argument regarding civil-service appeals really lined up with the law.

The case, *Perry v. Merit Systems Protection Board*, involved a Census Bureau employee who claimed he was forced to retire in violation of both civil-service rules and antidiscrimination laws. Because civil-service cases normally are appealed to the U.S. Court of Appeals for the Federal Circuit, while discrimination suits go to federal district court, the question was where a case involving both types of allegation should be appealed.

"By what authority does a district court ever have the power to hear a civil service claim?" Justice Gorsuch asked. "Wouldn't it be a lot easier if we just followed the plain text of the statute?" he added later. "What am I missing?"

Plenty, his new colleagues answered.

"The one thing about this case that seems perfectly clear to me is that nobody who is not a lawyer—and no ordinary lawyer—could read these statutes and figure out what they are supposed to do," said Justice Samuel Alito.

Justice Elena Kagan suggested that Justice Gorsuch's proposed approach was contrary to decades of practice.

"This would be a kind of a revolution," she said, adding: "I mean, to the extent that you can have a revolution in this kind of case."



JIM LO SCALZO/EUROPEAN PRESSPHOTO AGENCY

Democratic supporter of President Donald Trump's Supreme Court nominee.

The case, involving a real estate development in Chester, N.Y., included arguments by Neal Katyal, a former Obama administration lawyer who took the unusual step of formally introducing Justice Gorsuch at his Senate confirmation hearings in March.

Ethics experts have said that under traditional conflict-of-interest guidelines, the new justice wasn't required to recuse himself from Monday's case, but some said it would be understandable if he did so.

Justice Gorsuch did participate, asking a few questions during the proceedings, though none of Mr. Katyal.

The court typically hears two cases on argument days, but a scheduling quirk subjected Justice Gorsuch to a

third technical dispute after a one-hour lunch break.

The case stemmed from the subprime mortgage crisis that nearly tanked the U.S. economy. The specific issue, however, had to do with how to calculate a deadline for the California Public Employees' Retirement System to file suit against underwriters of securities sold by Lehman Brothers before its 2008 bankruptcy.

Because Calpers had been represented by a separate class-action lawsuit filed in the Southern District of New York, the question involved whether its later suit in the Northern District of California was exempt from a three-year time limit.

While the arrival of a new justice is a historic event, Monday's arguments were a reminder that not every case before the court is a landmark.

U.S. WATCH

MINNESOTA

Warrants Shed Light On Prince Inquest

Nearly a year after Prince's death from an accidental drug overdose, investigators released 11 search warrants on Monday that opened a new window on the probe into the source of powerful opioids found in his system and at the scene of his death.

The search warrants indicate that investigators have focused attention on a longtime bodyguard and a Minneapolis-area physician who prescribed pain medication to Prince shortly before his death.

The musician was found at his Paisley Park residence outside Minneapolis last April 21 with prescription painkillers in his possession. He was 57 years old and died on the day he was set to meet with the son of a well-known addiction specialist.

An autopsy found that he died from an accidental overdose of the synthetic opioid fentanyl.

—Kris Maher

MICHIGAN

Doctor Denies Genital Mutilation

The Detroit-area doctor charged with performing genital mutilation on two 7-year-old girls denied the allegations through her lawyer Monday, insisting that she conducted a benign religious ritual for families of a Muslim sect.

Shannon Smith's defense of Dr. Jumana Nagarwala contradicted the government's position that the Minnesota girls were forced to undergo a painful, bloody procedure at a Michigan clinic that left them with scars and lacerations on their genitals. It's the first time someone has been charged with violating a U.S. ban on genital mutilation.

A judge ordered Dr. Nagarwala to jail without bond, saying she's a threat to the public.

—Associated Press

WASHINGTON

Mall Shooting Defendant Dies

Authorities say a man charged with killing five people at a mall in Washington state has been found dead in his jail cell in an apparent suicide.

Rosemary Kaholokula, chief criminal deputy prosecutor for Skagit County, says 20-year-old Arcan Cetin was found hanging in his cell Sunday evening. He was being held at the jail in neighboring Snohomish County, where he was awaiting the results of a mental competency evaluation. Police say Mr. Cetin fatally shot a teenage girl, a man and three women at the Cascade Mall in Burlington, north of Seattle, on Sept. 23.

—Associated Press

ARIZONA

Ex-Fire Captain Gets Life Terms for Killings

A judge sentenced a former fire captain to two life terms in prison on Monday for killing his ex-wife, her mother and another person in a case that remained unsolved for over a decade.

David Watson, who worked for the Tucson Fire Department, cried as he told a Pima County judge he was innocent.

A jury deadlocked in November, but Mr. Watson was tried a second time this year and found guilty.

—Associated Press

The 139th White House Easter Egg Roll



SAUL LOEB/AGENCE FRANCE PRESSE/GETTY IMAGES

Trump Expected to Bolster 'Buy American' Directive

BY ELI STOKOSL

President Donald Trump was slated to sign an executive order in Wisconsin on Tuesday directing a government-wide review aimed at putting new teeth back into decades-old "Buy American" and "Hire American" directives.

The 220-day review process, which could lead to additional executive orders and possibly legislation, will focus on preventing foreign workers with H-1B visas from, as one senior administration official put it, "undercutting American labor at less cost," which the official labeled as "an abuse" of the current system.

"This is a clear statement from the president of the United States to shore up some of these abuses," the official continued. The goal, the official said, is ensuring that

"everyone can have a realistic path to economic success and full employment."

For the past several years, the government has used a lottery to distribute 85,000 visas for high-skilled foreign workers. It is a program popular with the technology industry, and one that critics say displaces U.S. workers and can depress salaries.

The order will call for a review by federal agencies aimed at stricter enforcement of immigration and other laws governing the entry of workers into the U.S.

In addition to the visa program, federal agencies will be asked to review and minimize the use of waivers and exceptions to Buy American policies as well as assess the degree to which waivers included in free-trade agreements have hurt American workers.

If those waivers, which are part of trade agreements with nearly 60 countries, are deemed to have put the U.S. at a disadvantage, as administration officials believe to be the case, those deals are likely to be renegotiated, the official said.

The order also will demand the use of American-made steel in publicly financed infrastructure and other construction projects.

It clarifies that steel slab imported from and primarily constructed in foreign countries but finished in the U.S. won't meet that directive.

Mr. Trump is planning to unveil the new push on Tuesday at Snap-On Tools headquarters in Kenosha, Wis. His remarks there are expected to send a strong message that the president is serious on following through on campaign promises related to reinvigorating U.S. manufacturing.

Applicants For H-1B Program Drop

BY LAURA MECKLER

WASHINGTON—The number of applications for the H-1B visas used by high-tech companies and others to bring highly skilled workers to the U.S. dropped this year, after years on the rise, the government said Monday.

It isn't clear exactly why, but experts pointed to Trump administration promises to crack down on abuses in the program, discussion of tougher vetting of foreigners and business decisions by the Indian outsourcing firms that are heavy users of the program.

A total of 199,000 applications were received in five days for just 85,000 visas for the fiscal year that begins Oct. 1, the fifth year running that the cap was exceeded in a week or less and a sign that demand still badly outstrips supply. As a result, the U.S. Citizenship and Immigration Service again distributed the visas by lottery.

But the number was down from 236,000 applications, known as petitions, the previous year. The number had been rising every year since 2013, when it took 73 days to receive 85,000 applications.

The Trump administration hasn't made major changes to the H-1B program that Mr. Trump promised as a candidate. This month the administration did announce that it would direct more inspectors in the H-1B program to the outsourcing companies, which have drawn scrutiny for displacing American workers.

The companies say they are adhering to the program's rules and that they only hire foreigners because they can't find Americans for the jobs.

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China's President Xi Jinping visited President Donald Trump in Florida earlier this month. A U.S. News article Saturday about U.S. Treasury criticism of China's exchange-rate policies incorrectly said Mr. Xi visited Washington, and it misspelled his name as Xi Jingping.

The vehicle pictured with a Page One article Saturday about Apple Inc.'s permit for autonomous-vehicle testing was a 2016 Lexus RX 450h sport-utility vehicle. The caption incorrectly said it was a 2015 model.

Amtrak operates and maintains some passenger rail lines in the U.S. with the Transportation Department. A Business

News article April 11 about Amtrak's new finance chief incorrectly said the passenger railroad jointly controls all U.S. rail lines with the Transportation Department.

Detroit has about 132 square miles of land with neighborhoods that have been gradually losing population. In some editions Monday, an article about Detroit in the Future of Cities report incorrectly said 132 miles of land.

Galen Rupp won the bronze medal for the marathon at the 2016 Rio Olympics. A photo caption with a Sports article Saturday about Mr. Rupp incorrectly said he won the silver medal.

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

U.S. NEWS

Arkansas High Court Halts Executions

BY JOE PALAZZOLO

The top court in Arkansas halted the executions of two inmates scheduled for Monday night, fraying plans by Gov. Asa Hutchinson to put to death six men before the state's lethal-injection drugs expire at the end of the month.

The Arkansas Supreme Court agreed in two orders to postpone the executions of Bruce Ward and Don Davis pending the outcome of a case in the U.S. Supreme Court called *McWilliams v. Dunn*.

The U.S. justices are considering whether poor criminal defendants are entitled to independent experts to help them prepare their defense. Arguments in the case are scheduled for April 24.

Before Messrs. Ward and

Davis received their death sentences, courts denied their requests for funding for independent experts to evaluate their mental health, though both exhibited signs of severe mental illness, according to their lawyers.

Nicholas Bronni, Arkansas deputy solicitor general, said in a court filing that the decision by the state Supreme Court was "based on a misinterpretation of federal law." He said the state would "seek immediate review."

The orders don't affect the state's plans to carry out the remaining executions scheduled for April 20, 24 and 27, Mr. Bronni said.

State and federal courts are working through a knot of legal challenges filed in response to Mr. Hutchinson's announcement in February that Arkansas would execute eight men in less than two weeks' time.

Messrs. Davis and Ward were scheduled to be the first to die in back-to-back executions in Arkansas beginning Monday at 7 p.m., followed by Stacey Johnson and Ledell Lee on Thursday, Marcel Williams and Jack Jones on April 24 and Jason McGhee and Kenneth Williams on April 27.

A court separately halted the execution Mr. McGhee earlier this month.

U.S. District Judge Kristine Baker in Little Rock paused the remaining executions on Saturday, ruling that the use of midazolam in Arkansas' lethal-injection protocol "qualifies as an objectively intolerable risk that plaintiffs will suffer severe pain" in violation of the Eighth Amendment. Arkansas officials have appealed Judge Baker's ruling to the Eighth U.S. Circuit Court of Appeals in St. Louis, which could render a decision at any time.

Cemetery's Revival Stirs Discord

White woman's effort to restore all-black Florida burial ground leads to land dispute

BY JACOB GERSHMAN

For a Gulfport, Fla., woman, it started with a single grave.

With a shovel and a broom, Vanessa Gray walked into Lincoln Cemetery, a historically black graveyard near her home, in December 2015 and cleared away dirt and grass blotting out the burial ground of a long-dead local minister.

Over time, 23-year-old Ms. Gray started restoring other plots at the neglected cemetery, established in 1926 on swampy land on the other side of the tracks from an all-white cemetery in Pinellas County, near St. Petersburg, Fla.

She unearthed headstones, pulled weeds, mowed grass and cleared vines, pepper trees and scrub palms by the truckload. She picked up beer cans, tires and needles littering the nine-acre property.

A year later, she and a cadre of volunteers she recruited repaired hundreds of graves at the cemetery—one of the two in the lower Pinellas peninsula where black residents could bury their dead during the era of segregation. Ms. Gray, who is white, also obtained a deed to the whole property from the cemetery's former owner.

At this point, the restoration turned into threats of litigation as a potential legal battle has begun to brew over the cemetery's fate.

Greater Mt. Zion AME Church, a black congregation in St. Petersburg, is contesting



The all-black Lincoln Cemetery in the St. Petersburg, Fla., area was neglected for decades before Vanessa Gray started restoring it.

Ms. Gray's ownership. The Rev. Clarence Williams said he appreciates Ms. Gray's effort to rescue the cemetery from neglect, but said his organization holds the valid deed. He said the cemetery should belong to the St. Petersburg area's black community.

"Why would a young, white girl want to own a black cemetery with no resources to sustain it?" Mr. Williams said. "This isn't just about pulling weeds and cleaning up. It's about telling the story of those buried there. These cemeteries exist as the result of Jim Crow and the egregious laws," he said, referring to the racial caste system in the South from the 1870s through the 1960s.

Ms. Gray said she has proven herself as a capable steward after the nonprofit organization she founded last year acquired the title. "When it comes to everyday maintenance and being out there," she said, she and her fellow volunteers are "the only ones maintaining the property."

The two sides have retained lawyers and say they are prepared to go to court.

Ms. Gray said her interest in the cemetery was sparked in 2015 while driving by the property and seeing its dilapidated state.

"I had no idea it was a black cemetery when I started this," said Ms. Gray, who works as a waitress. "It was

just a cemetery I visited when I was a little girl." Ms. Gray said the cemetery was in a state of decay even then.

All told, more than 6,000 people are interred in Lincoln Cemetery, including hundreds of veterans.

For decades, the Alford family owned Lincoln Cemetery and the land. In 2009, Richard Alford and his late wife sold the cemetery to an Atlanta man, Sarlie McKinnon III, who has family members buried at Lincoln. But in February, at Ms. Gray's request, Mr. Alford conveyed the land to her through a quitclaim deed, a document used to transfer property interest.

While Mr. McKinnon ac-

quired the cemetery through a stock transfer, Ms. Gray's attorney said Mr. Alford still possessed control of the land. That preserved Mr. Alford's authority to sign the deed, her lawyer says.

Mr. McKinnon couldn't be reached for comment.

Tamara Felton-Howard, a lawyer retained by the church, says Mr. Alford lacked the authority to sign the deed. And in March, a charity affiliated with the church obtained its own quitclaim deed signed by Mr. McKinnon.

Ultimately, a court may have to sort out which deed is valid. "We are looking at litigation at this point," Ms. Felton-Howard said.

In Georgia, Democrats Eye GOP House Seat

BY NATALIE ANDREWS
AND CAMERON MCWHIRTER

DUNWOODY, Ga.—The special election Tuesday to fill a Georgia House seat has drawn staggering sums of money, a barrage of advertisements and the intervention of the president as Democrats attempt to win a seat that Republicans have held since 1979.

Energized Democrats say victory in Georgia's Sixth Congressional District would put an early dent in the Republicans' House majority—and send a signal to the nation about President Donald Trump's effect on his party's voters. Republicans, split among 11 candidates, aim to take the vote to a runoff so they can unite around a single candidate and defeat the leading Democrat.

Mr. Trump weighed in

Monday, tweeting "The super Liberal Democrat in the Georgia Congressional race tomorrow wants to protect criminals, allow illegal immigration and raise taxes!"

Jon Ossoff, the leading Democrat and ostensible target of Mr. Trump's tweet, responded that while he's "glad the president is interested in the race, he is misinformed."

"I think that generally people—Republicans, independents, and Democrats—are tired of how politicians in Washington do business," Mr. Ossoff, a 30-year-old documentary filmmaker and former congressional staffer said in an interview.

The top two finishers in the field of 18 candidates, regardless of party, will face one another in a June 20 runoff, unless the top candidate wins more than 50% of the vote Tuesday.



Jon Ossoff, a Democrat, is running for the Georgia congressional seat vacated by Health and Human Services Secretary Tom Price.

vored in contests next month in Montana and South Carolina. A Republican won a Kansas special election last week.

Nationwide, Democrats have opened their wallets in support of Mr. Ossoff, donating \$8.3 million in the first quarter of 2017. With their own supporters divided, national Republican leaders have spent more than \$3 million attacking Mr. Ossoff's record and paid staff members to knock on doors in the district to urge residents to vote Republican and stop the Democrats.

Polls suggest that the race will go to a runoff. A poll published Monday by Emerson College puts Mr. Ossoff at 43.1%, followed by Republicans Karen Handel, a former Georgia secretary of state at 17.1%, and former city councilman Bob Gray at 15.2%.

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U.S. NEWS

Trump Finds China's North Korean Blind Spot



CAPITAL JOURNAL

GERALD F. SEIB

Amid steadily mounting international tension over North Korea's nuclear and missile programs, the key question is this: Is China serious about working with the U.S. to crank up the pressure on Pyongyang?

In an Oval Office interview with The Wall Street Journal last week, President Donald Trump

seemed cautiously optimistic that the answer will be yes. He cited signs the Chinese are at least starting to squeeze North Korea economically. He then reiterated that statement of optimism Sunday in, characteristically, a tweet.

But here's a real, less obvious test of whether China is serious about working with the new president to hem in North Korea: Will China stop resisting the installation of a new missile-defense system in South Korea?

On that count, the Chinese



President Donald Trump and Chinese President Xi Jinping at Mar-a-Lago in Florida this month.

"early deployment and operation" and saying he is looking for American help in bringing to an end the "unfair actions" from China in response to it.

The "unfair actions" referred to the fact that the Chinese have begun economic reprisals against South Korea to punish it for its decision to accept the Thaad deployment. If it sounds illogical for China to punish South Korea for defending itself against what even the Chinese recognize as a real threat in the region—well, it is.

Mostly illogical, anyway. From the Chinese point of view, Thaad represents not just a defense system for South Korea but an intrusion of American technology that someday could be used to repress China militarily in some future superpower showdown with the U.S.

The key to Thaad is its sophisticated radar system for spotting and tracking missiles. That capability, the Chinese fear, could be useful to American troops in any confrontation with China by helping the U.S. follow and neutralize Beijing's missiles.

Given that Chinese strategic thinkers consider issues not just months or years but decades down the road, their concern isn't a surprise.

Still, this seems to be a case of the Chinese being long-term wise and short-

term foolish. The prospect of a North Korean missile armed with nuclear warheads, and aimed at its neighbors as well as the U.S., is a far more immediate danger to China's neighborhood than the prospect of some all-out military confrontation with the U.S.

The North Korean nuclear genie already is out of the bottle. The trick now is to contain that threat and, if possible, roll back the steps the North Koreans are taking to complete the transition from mere nuclear devices to nuclear weapons.

That is going to require convincing the North Koreans that the price they will pay for continuing down this path outweighs any strategic advantage they will gain, which is where escalating economic pressure from China is key. Eventually, the strategy also probably will require a diplomatic component to give the North Koreans a face-saving escape if they want to back away.

But a complete strategy also will require steps to convince the North Koreans that their new military toys won't have the power that Supreme Leader Kim Jong Un hopes they do. That's where Thaad comes in—and where China is still standing in the way.

◆ Pence warns Pyongyang... A16

Presidency Hits Growth Rate of Family Business

BY PETER GRANT

In the decade leading up to Donald Trump's election as president, his company added 15 golf courses and 13 hotels.

Keeping up such a rate of expansion won't be easy, according to Eric Trump, the president's son, who with brother Donald Trump Jr. took over running the Trump Organization after the inauguration in January.

While the company's revenue and income are expected to continue to rise during Mr. Trump's term in office, it will likely be at a slower rate, Eric Trump said, because of efforts to separate the presidency from the family businesses. "We would be doing 30 deals across the globe" were his father not the president, Eric Trump said in an interview.

The Trump Organization's financial information is tightly held, and Mr. Trump, unlike all other recent presidents, has refused to release his tax returns. Eric Trump declined to provide statistics on how the company's growth rate has flattened.

But Dubai investor Hussain Sajwani confirmed earlier this year the Trump Organization backed away from a licensing deal involving \$2 billion in

property Mr. Sajwani was developing. The Trump Organization has said it also has canceled real-estate licensing agreements in Brazil, Azerbaijan and Georgia.

The latest example of lost potential business—and the first one domestically—came last week with the collapse of talks between the Trump Organization and Turkish-born developer Mukemmel Sarimsakci over a deal for a Scion-branded Trump hotel in Dallas. Mr. Sarimsakci didn't respond to a request for comment.

The president's critics say any forgone business doesn't mitigate the enormous conflict-of-interest issues he faces both in terms of legality and perception. These critics say the steps Mr. Trump has taken to separate his presidency from his business interests—including turning over management to his children and transferring his ownership to trusts—have been inadequate, largely because he remains the beneficiaries of those trusts.

They also point out the potential conflicts in Mr. Trump's Mar-a-Lago club in Florida, where he frequently hosts foreign dignitaries and where the membership fee was raised to \$200,000 earlier this year.

"He gets the money," said



Eric Trump stepped off Air Force One in Maryland Sunday as he returned with the rest of his family from Mar-a-Lago in Florida.

Richard Painter, the chief ethics lawyer for former President George W. Bush, who recently became vice chairman of the Citizens for Responsibility and Ethics in Washington, a government watchdog. "You follow the money."

Ethics experts also point out that even if the Trump Organization forgoes deals now, it is in a position to benefit after Mr. Trump leaves office. "There might not be a signed deal

while the president is in office," said Kathleen Clark, a legal-ethics expert and professor of law at Washington University in St. Louis. "But the concern is he could do favors for people in office with the expectation that he would receive a benefit sometime in the future."

A White House spokeswoman didn't return calls for comment. Eric Trump said Mar-a-Lago was able to raise fees thanks to market forces.

An analysis by The Wall Street Journal last year of candidate Trump's financial disclosures concluded his company had pretax profits of about \$160 million a year. The company said the figure was incorrect.

During two interviews in his New York office, Eric Trump said he is careful to not speak to his father about business other than to "chitchat" about such things as "how's the ninth green doing" at the com-

pany's Scotland golf course.

He said the only information he can provide his father about the business is a quarterly report that shows profit and loss without any details.

Eric Trump said foreign markets have faster growth rates than domestic ones, and as such, forgoing any new foreign deals cuts off the source of as much as 80% of the Trump Organization's new business.

INSURE

Continued from Page One
file proposed rates on its New Hampshire ACA plans by April 24. Then, last Thursday, the deadline for initial rate filings was pushed back to June 2. Before that, the insurer had told regulators that there was no way it could price accurately right now, Chief Executive Tom Pollicelli said. He added that, if the uncertainty continues, the proposed rates are likely to be "quite high, and we will fine-tune as we go forward." He said that messages from Washington are "swerving day by day...we can't change our pricing model day by day."

Insurers say they were whipsawed by the Trump administration's moves last week. President Donald Trump threatened to stop funding the ACA's cost-sharing reduction subsidies, which help lower-income ACA enrollees with costs such as deductibles, in an effort to prod Democrats to negotiate over a health bill. Insurers are also worried about the future of the ACA's mandate for people to have insurance, because they fear enforcement could be limited or eliminated.

But the administration also completed a rule designed to address some of the insurers' concerns, saying it aimed to stabilize the marketplaces. Asked about the companies' uncertainty, a spokeswoman for the Department of Health and Human Services pointed to a statement the department issued last week that said, "The administration is currently deciding its position" on the cost-sharing subsidies. Congressional Democrats are also expected to push for the cost-sharing payments to be included in a spending bill that needs to pass by April 28 to keep the government running.

"People are terribly confused," said J. Mario Molina, CEO of Molina Healthcare Inc., which offers ACA plans in nine states and has said it is considering pulling back. "There's a lot of posturing...We need some certainty, and we can't just have people making pronouncements." Without more clarity about key issues, "you get to the point where you say, 'if we don't have the information, we can't go forward.'

A White House spokesperson said that the ACA, the law also known as Obamacare, "is already collapsing on its own....President Trump and his

administration are committed to working with Congress to repeal and replace Obamacare with a law that creates a better health-care system for all Americans."

Health Care Service Corp., one of the biggest ACA-plan issuers, hopes to continue selling the policies in the five states where it is the Blue

cross Blue Shield insurer, which include Texas and Illinois, said Senior Vice President Kurt Kossen, but "we haven't made any decisions in terms of our participation" for 2018. If the company doesn't have a clear answer on the mandate and the cost-sharing subsidies, it would have to in-

crease those costs in the rate proposals it does submit, he said, and that could raise premiums a "significant amount."

"When there's uncertainty, you have to price for the uncertainty," Mr. Kossen said.

CareSource, a nonprofit that sells ACA plans in Ohio and three other states, wants to be in the exchanges next year, said Jon Allison, executive vice president. But the federal cost-sharing payments represent about 10% of the nonprofit's revenue for exchange plans, and "how this gets resolved will impact our business decisions on whether we go forward or not in 2018," he said. "That is an open-ended question for us."

Insurers in at least two states, Kentucky and Virginia, this week will need to declare whether they expect to offer plans in the individual market next year, though they will have a few more weeks to prepare more-detailed rate filings.

Other deadlines will roll out in coming weeks, though the federal cutoff, which some states have adopted, has been pushed to June. Insurers can still change their decisions after the June cutoff.

Half of insurers said they couldn't yet project what rates

they would propose for ACA plans, according to a survey from consulting firm Oliver Wyman, a unit of Marsh & McLennan Cos.

Of those that did, about one-quarter said they were considering increases of

more than 20%, with the largest at 35%, while roughly half were considering hikes of 10%-20%

and the rest were below 10%, according to the firm, which got responses from 24 exchange insurers for the poll performed in recent weeks.

Only one insurer said it planned to stop offering exchange plans.

Beth Fritch, an actuary at Oliver Wyman, said the findings provide a limited snapshot, and developments in Washington could sharply alter insurers' views. "Anything could change," she said.

Lobbying groups representing insurers, employers and other health-care industries are prodding Congress and the Trump administration to resolve the cost-sharing issue quickly. Already, Humana Inc. has said it would pull out of the ACA exchanges next year, and two insurers have said they would exit Iowa's health-law marketplace. Anthem Inc. and Cigna Corp. have said they are considering pulling back.

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WORLD NEWS

EU Probes Party's Use of Its Funds

Investigators suspect that money was redirected to domestic political activities

Three years ago, French presidential candidate Marine Le Pen was warned that her National Front party would be at financial risk unless its lawmakers could squeeze more funding from the European Parliament.

By Noemie Bissere in Paris and Laurence Norman in Brussels

"In the years to come...we will get by only if we accumulate savings thanks to the European Parliament and get additional transfers," party treasurer Wallerand de Saint-Just wrote in an email in June 2014.

The email is part of information gathered by European Union and French authorities that is said to reveal the unwitting role the Parliament may have played in funding the rise of politicians who aim to dismantle the 28-country alliance it serves, such as Ms. Le Pen, who is projected to advance past the first round of voting in the French election on April 23 but fall short of victory in the May 7 runoff.

Over the past decade, the Parliament has provided a platform to the National Front, the UK Independence Party and other anti-EU groups that have struggled to win representation at home. By winning seats in Parliament, these parties gain access to EU money that is in part earmarked for parliamentary assistants but, EU and French investigators suspect, is redirected to domestic political activities.

According to a confidential 2016 report prepared by OLAF, the EU antifraud office, and reviewed by The Wall Street Journal, the National Front has used European Parliament



The European Parliament docks the pay of National Front lawmakers, including Marine Le Pen, to recover allegedly misused funds.

funding to cut hefty checks to senior party officials and confidants of Ms. Le Pen.

In its report, OLAF said that in at least two cases, the actions of Ms. Le Pen and some of her aides could under French law amount to fraud.

OLAF referred its findings to French prosecutors who, a judicial official said Friday, recently requested that the European Parliament lift Ms. Le Pen's immunity.

The Parliament is unlikely to lift Ms. Le Pen's immunity before voting begins, because it typically takes months for it to reach a decision in such cases.

Marcel Ceccaldi, a lawyer for Ms. Le Pen, called the OLAF report a "tissue of lies."

Ms. Le Pen didn't respond to a request to comment. A second probe of the National Front's payments to assistants is expected to be completed soon.

When Ms. Le Pen was chal-

she said.

National Front holds 22 of the 74 seats allotted to France in the European Parliament, but only two of the 577 seats in the French National Assembly. As head of a group of European nationalist parties in the European Parliament, Ms. Le Pen gets a prominent speaking spot during key debates.

That has given her the kind of "legitimacy that her father never had," said Jérôme Lavrilleux, a French EU lawmaker.

EU lawmakers are permitted to spend over €20,000 (\$21,000) a month to pay local and parliamentary assistants in addition to their own salaries and expenses.

In recent months, the Euro-

pian Parliament has tightened the rules for funding its members. The Parliament has also started docking the salaries of several National Front lawmakers, including Ms. Le Pen and her father, to recoup around €1 million in funds it says were misspent on assistants.

The National Front lawmakers deny any misuse and are challenging the decisions in court.

The OLAF report details how Le Pen aides juggled their political activities, allegedly drawing hefty salaries at the European Parliament without spending much time working on EU business there.

—Joshua Robinson contributed to this article.

Erdogan Victory Sparks Protests

ISTANBUL—While many Turks were struggling with the aftermath of the hotly contested vote over Turkey's presidential powers, scattershot demonstrations against the constitutional changes formed in cities around the country early Monday evening.

By Burcu Cura in Istanbul
And Margaret Coker in Ankara

The weighty nature of the vote—coupled with stories of alleged irregularities—brought many Turks to the streets to express their dismay over the fact that President Recep Tayyip Erdogan has claimed victory, even as opposition politicians demanded the results be annulled. Unofficial results showed "yes" winning 51% and "no" garnering 49%.

Koral, a 19-year-old freshman at Istanbul University who voted in his first election Sunday, decided to join his first political protest Monday evening.

"I don't want cheaters to win. I wanted to take to the streets to show who was the real winner of the election," he said as he marched through Istanbul's Kadikoy district with about 600 others who had voted "no."

Supporters from the "yes" campaign gathered in droves to hear the president give a victory speech on Sunday, but they didn't have any major public events planned Monday.

For his part, Mr. Erdogan and his supporters in the ruling Justice and Development Party kept a business-as-usual mood. Mr. Erdogan headed a regular cabinet meeting and denounced critics alleging the vote wasn't fair.

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WORLD NEWS

Turkish Result Sets Up EU Fight

BY LAURENCE NORMAN

BRUSSELS—Turkish President Recep Tayyip Erdogan and senior European officials became embroiled on Monday in an immediate fight over the handling of the weekend's referendum, with Mr. Erdogan lashing out at the West for what he has called its "crusader mentality" over the ballot.

The fight appeared to dim hope that Mr. Erdogan would seek to build bridges with European partners following a surprisingly narrow win in the vote. Instead, European Union officials may now have to make a swift call on a decision they feared was coming down the road on how to react to a further centralization of power in Mr. Erdogan's hands.

In Europe, there are growing calls to cut off EU accession talks with Turkey yet the bloc fears that doing so would see Turkey respond by slashing cooperation with Europe on a range of areas from stemming the inflow of Syrian refu-

gees to counterterrorism work. On Monday, the governments in Berlin and Paris urged Mr. Erdogan to reach out to domestic opponents following Sunday's close vote, which international observers said fell short of European standards.

"The assessment that suggests that the referendum process fell short of international standards is unacceptable," the Turkish foreign ministry said.

German Chancellor Angela Merkel in a joint statement with her foreign minister said: "The tight referendum result shows how deeply divided Turkish society is, and that means a big responsibility for the Turkish leadership and for President Erdogan personally."

France's foreign ministry called on Turkey to uphold its international commitments, including its Council of Europe obligations to respect the rule of law and the separation of powers. Officials reminded Mr. Erdogan, who in his victory speech on Sunday night talked of reviving the death penalty,



Antigovernment protesters shouted slogans during a demonstration on Monday in the Besiktas district in Istanbul.

ALIKIS KONSTANTINIDIS/REUTERS

that Turkey also must stay in line with the European Convention of Human Rights, which bans the death penalty.

The central question for European officials now is whether to continue, freeze or even end more than a decade of EU accession talks with Turkey. The

negotiations have made little progress recently but EU officials had been keen before Sunday's vote to leave the ball

in Mr. Erdogan's court on whether to continue the talks.

However, with the issue of the death penalty and Mr. Erdogan signaling he will apply

his new constitutional powers to the full, the EU may be forced to make a decision.

A group of EU lawmakers voiced their concerns about the allegations of vote irregularities. More broadly, they warned in a statement that "the centralization of power through an

executive presidency will deeply impact EU-Turkey relations."

The lawmakers warned that by further bolstering the president's powers, Turkey is in danger of breaching the basic conditions for EU membership.

—Margaret Coker contributed to this article.

TURKEY

Continued from Page One
tory and to discuss the United States' action in response to the Syrian regime's use of chemical weapons on April 4th." The White House also said Mr. Trump had thanked Mr. Erdogan for his support on Syria.

The U.S. State Department earlier noted the concerns voiced by international observers about the vote, including voting-day irregularities and "an uneven playing field" during the difficult campaign period."

State Department spokesman Mark Toner said the U.S. urged Turkey "to protect the fundamental rights and freedoms of all its citizens—regardless of their vote on April 16—as guaranteed by the Turkish constitution and in accordance with Turkey's international commitments."

Turkey's high electoral board validated the vote, despite calls from the opposition that it be annulled due to alleged widespread irregularities. International election observers said the referendum campaign unfolded on "an uneven playing field," citing the purge since July of some members of the high electoral board and of local boards.

Mr. Erdogan's rivals say more than 2.5 million votes could have been compromised and said they were preparing formal objections to the outcome. It wasn't clear how they had arrived at that figure or whether it was accurate. While official vote totals won't be announced for at least 10 days, the unofficial results showed the referendum was rejected by a majority of residents of Istanbul and Ankara, Turkey's largest cities.

Approximately 85% of Turkey's 55 million eligible voters cast ballots in Sunday's referendum, considered one of the most important votes since the republic's founding in 1923.

Amid growing disquiet about the vote's legitimacy, the president on Monday pre-



Recep Tayyip Erdogan greeted supporters Monday as he arrived at Eyup Sultan mosque in Istanbul.

Turkey's justice system following a failed coup attempt in July 2016.

The electoral boards are administered by judges. Three of the 11 members of the high electoral board and the chairs of 221 lower boards were purged and replaced since July, the OSCE said. Approximately one-third of all judges have been dismissed or detained in the same period.

The observers criticized Turkish electoral boards as lacking transparency, with board sessions closed to the public. Opposition parties weren't adequately represented on local polling station teams, the report said.

Observers said provincial governors used state-of-emergency laws to restrict freedom of assembly and expression, and restrictions on the media

prevented opposition voices from reaching voters.

Before the OSCE report was published, the main opposition Republican People's Party, or CHP, called for the results to be annulled. CHP officials said they planned to issue appeals contesting as much as 60% of the votes.

Turkey will shift to the new presidential system after elections in November 2019, but two changes take effect before then. The referendum's approval would allow Mr. Erdogan to formally retake the helm of his Justice and Development Party after having resigned in 2014 to take the presidency. And 40 days after the results are officially published, a council that governs Turkey's judiciary will come under the control of the president and parliament.

While the technical aspects of the referendum were well administered and referendum day proceeded in an orderly manner, late changes in counting procedures undermined important safeguards and was in contradiction with the law," the head of the OSCE election observer mission, Tana de Zulueta, said.

Mr. Erdogan rejected the observers' conclusions. "Know your place," he said in his speech. "We won't see, hear, or know the politically motivated reports you prepare. We will continue on our path."

Calls to Turkey's high electoral board rang unanswered Monday afternoon. Earlier Monday, the board's chairman said the contested ballots were valid, raising questions about what legal paths exist for the opposition to successfully contest the vote. The board would rule on any formal objections, and its deci-

sions can't be appealed.

The OSCE report also highlighted the organization's concern about the integrity of

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What's Next

Following the vote, when the changes will go into effect:

♦ Within two weeks: Official election results published.

♦ Within two weeks: The president will be eligible to join a political party.

♦ Forty days after results published: Council governing the judiciary will be revamped, with membership reduced and increased appointment powers for president and parliament.

♦ Within six months: Parliament and the president will lay the legal groundwork for the new system.

♦ After the November 2019 elections: Full changes will take effect.

—Ned Levin

IN DEPTH

CEO

Continued from Page One
future with its returns in the present. Elliott, citing the company's lackluster stock performance, missed profit forecasts and inefficient spending, was leading an investor movement to vote Mr. Kleinfeld out of office at a May 16 shareholder meeting.

Mr. Kleinfeld and his defenders argued that the executive's moves would ultimately yield big gains, by harnessing Alcoa's technical ability to create a high-tech manufacturer that could sell innovations for the likes of Boeing Co. and Ford Motor Co.

"I see it like a living organism," Mr. Kleinfeld said in an interview at Arconic's Manhattan headquarters before he was pushed out. "The CEO who has been given the right to lead the company has the responsibility to ensure the future."

Ad campaign

To mark its debut last fall, Arconic launched a national advertising campaign set in 2062. Produced by a team of futurists, Arconic engineers and a Hollywood filmmaker, the videos show a world of holograms, supersonic planes and self-cleaning skyscrapers.

Elliott viewed the campaign as a waste of money, and argued that Mr. Kleinfeld's grand plans haven't paid off. Alcoa shares fell 70% during Mr. Kleinfeld's tenure, from May 2008 until the Nov. 1 split. The S&P 500 rose more than 80% over the same period. Arconic says the company created more than \$8 billion in market value since its low in March 2009, besting its metals and mining peers.

In its statement, the hedge fund criticized directors and pledged to continue its fight, saying the board's repeated endorsement of Mr. Kleinfeld—and its statement Monday that it supported the strategy he led—were evidence change was needed and that new members should select the next leader.

Born in 1957 to East German refugees, Mr. Kleinfeld grew up in a working-class neighborhood near the Bremen shipyards. He earned a doctorate in strategic management and joined German conglomerate Siemens AG in 1987.

His work turning around the company's medical group and U.S. operations won him a promotion to CEO in 2005, at age 46.

Mr. Kleinfeld's career at Siemens ended two years later as a bribery scandal engulfed the company. He was never personally implicated but drew criticism for his oversight. He joined Alcoa, where he was a board member, and was named CEO in May 2008. At the time, Alcoa shares were trading near all-time highs.

Within months, the financial crisis sent aluminum prices plunging. Alcoa's stock fell 74% between mid-May and the end of October. Mr. Kleinfeld scrambled to shore up its finances.

Convinced a robust parts business could help the company better endure commodity-price swings, he turned his attention to aluminum parts. Since Alcoa's founders discovered how to extract the metal in 1886, the company pioneered dozens of aluminum products, including beverage cans, truck wheels and airplane components.

Changes in the aerospace industry threatened to upend the business. While commercial planes were still largely made with aluminum, Boeing was experimenting with composite materials, plastics reinforced by carbon fibers, in its Dreamliner 787. The goal was a lighter, stronger aircraft.

In 2010, Mr. Kleinfeld invited



Klaus Kleinfeld stepped down as Arconic Inc. chief executive. Activist investor Elliott Management Corp. is pressing for more change.

Jim McNerney, then Boeing's CEO, to Alcoa's research facility near Pittsburgh. At a day-long meeting, engineering teams from both companies debated the use of composites and their potential flaws, such as vulnerability to lightning strikes and durability.

Mr. Kleinfeld prevailed. Today, Arconic manufactures both the Flite-Tite fasteners that connect the Dreamliner's wing to its fuselage and the wings' aluminum skeleton. Arconic makes \$6.5 million on each of the airframes.

"In this business, things don't sustainably change overnight," said Mr. McNerney. "But when they do change, it's for the 20- to 25-year life of the program."

Next generation

Mr. Kleinfeld and his backers have said Arconic thrives on these relationships. The leaders of some of its biggest customers—General Electric Co., United Technologies Corp. and Boeing—say they are drawn to the company's commitment to research and development.

Arconic, in turn, gets its parts in the next generation of airplanes, jet engines and automobiles, which could be on the market for decades.

That is what happened when former Ford CEO Alan Mulally

was converting Ford's iconic F-150 pickup to aluminum from steel to improve fuel economy by making it lighter.

Mr. Mulally personally called Mr. Kleinfeld to ask for his advice, people familiar with the matter said. Mr. Kleinfeld jumped at the chance, eager to make the case for the greater use of aluminum in automobiles.

Ford wanted to join aluminum body panels with adhesives rather than rivets or welds. Alcoa's engineers demonstrated how an anti-corrosion coating they had developed for beverage cans would allow an adhesive to create a strong bond.

Arconic's automotive unit is expected to generate \$1.3 billion in revenue in 2018, up from \$1.17 million in 2011.

Despite growth in the parts business, Alcoa's stock continued to lag the broader postcrisis recovery as surging aluminum output from China and the Middle East swamped the global market. Analysts speculated about an eventual breakup.

Mr. Kleinfeld resisted, referring to the combination of aluminum production and manufacturing as the "Alcoa advantage." In 2014, Alcoa bought Firth Rixson Ltd., a maker of forged metal parts for jet engines, from private-equity firm Oak Hill Capital Partners for about \$3 billion, including a

roughly 2% stake in Alcoa.

Alcoa stock was still moving in tandem with commodity-grade aluminum prices.

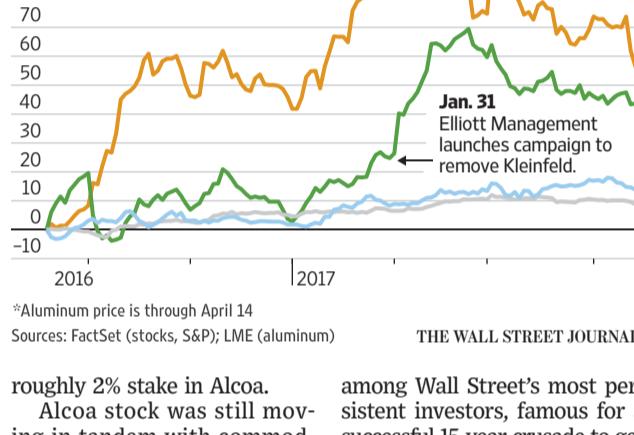
The stock climbed in 2014 but remained at less than half its all-time high. It began to drop again in early 2015. Mr. Kleinfeld announced the corporate split on Sept. 28, 2015.

At the same time, Elliott was amassing a sizable stake. The \$33 billion New York hedge fund founded by Paul Singer is

Aluminum Foil

Arconic Inc. shares were mostly flat after it spun off Alcoa on Nov. 1 but got a boost after Elliott Management asked shareholders to oust Klaus Kleinfeld.

Performance since split



*Aluminum price is through April 14

Sources: FactSet (stocks, S&P); LME (aluminum)

THE WALL STREET JOURNAL.

Russo, Hess Take The Interim Helm

After the abrupt ouster of Chief Executive and Chairman Klaus Kleinfeld on Monday, Arconic Inc. directors David Hess and Patricia Russo stepped in to lead the metals manufacturing company on an interim basis. Here is what you need to know about them.

Ms. Russo, who will be taking over Mr. Kleinfeld's duties as chairman, has been lead director at Arconic since it became a stand-alone company after splitting from Alcoa Inc. late last year. She joined Alcoa in 2008 after a stormy tenure as chief executive at telecommunications company Alcatel-Lucent.

Ms. Russo oversaw Lucent's merger with Paris-based Alcatel but struggled to integrate the two companies smoothly. Cost cuts proved harder than expected to accomplish, forcing the company to accept unprofitable contracts and lay off thousands of employees.

Eventually, management infighting between the French and American leadership led Ms.

Russo and then-Chairman Serge Tchuruk to be pushed out. The combined company didn't turn an annual profit during Ms.

& Co. She also was chairman for Lucent Technologies Inc. and Avaya Inc. Although Mr. Kleinfeld and Ms. Russo will no longer work together at Arconic, the two will still work together at Hewlett Packard, where Mr. Kleinfeld serves on a committee that annually reviews the pay of HPE board members, including Ms. Russo.

Mr. Hess, who will be interim CEO, began his career in industrials in 1979 but has been at Arconic only for a little over a month, arriving as the proxy fight with Elliott Management Corp. was heating up. His appointment was meant to quell

concerns that Arconic's board was short on directors with experience in manufacturing, but Elliott dismissed those changes as "half-measures, taken only grudgingly and under the pressure of an ongoing proxy contest."

Mr. Hess joined the company from United Technologies Corp., where he served as a senior aerospace executive. Previously, he served as president of United's Pratt & Whitney division for four years, responsible for the company's world-wide operations in designing, manufacturing and servicing aircraft engines for commercial and military aircraft.

—David Benoit and Bob Tita

Patricia Russo

Russo's two-year turn at the helm.

Ms. Russo has spent years leading various companies' boards of directors. In addition to taking the reins of Arconic's board, she is also chairman of Hewlett Packard Enterprise Co. and currently sits on the boards of General Motors Co. and Merck

Co. She also was chairman for Lucent Technologies Inc. and Avaya Inc. Although Mr. Kleinfeld and Ms. Russo will no longer work together at Arconic, the two will still work together at Hewlett Packard, where Mr. Kleinfeld serves on a committee that annually reviews the pay of HPE board members, including Ms. Russo.

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GREATER NEW YORK

City Welcomes a New Ferry Boat



ALL ABOARD: New York City Mayor Bill de Blasio, right, looks on as Deputy Mayor Alicia Glen holds up a bottle of Champagne on an NYC Ferry boat during a dedication ceremony at Brooklyn Bridge Park on Monday. The citywide NYC Ferry starts on May 1.

City Moves Toward Uber Tipping

New York commission expected to vote on a proposal to require the ride-hailing app option

BY GREG BENSINGER
AND MELANIE GRAYCE WEST

Officials in New York City moved to require tipping as an option for ride-hailing services, in a fresh regulatory setback for **Uber Technologies Inc.**

The city's Taxi and Limousine Commission on Monday announced the proposed rules under pressure from a group of contract drivers known as the Independent Drivers Guild. Drivers for Uber have been agitating for years for the addition of a tipping option in the app, something rival **Lyft Inc.**

already offers nationwide. An Uber spokeswoman said the company hadn't seen the New York commission's proposal. "Uber is always striving to offer the best earning opportunity for drivers," she said.

Uber Chief Executive Travis Kalanick has resisted including an option for tips, which the company has said would add a step to the checkout process, make some passengers feel like they must pay another obligatory charge, and incentivize drivers to work only in neighborhoods where tips may be highest.

Many drivers contend they are missing out on earnings without the tipping option. "This rule proposal will be an important first step to improve earning potential in the for-hire vehicle industry, but it

is just one piece of a more comprehensive effort to improve the economic well-being of drivers," said Meera Joshi, commissioner of the Taxi and Limousine Commission.

The commission's proposal requires the approval of the nine-member panel. Three seats are vacant, so the plan would need to get the nod from four of its six commissioners to take effect. Final language is expected by July.

Jim Conigliaro Jr., founder of the Independent Driver's Guild, said, "People do want to tip. They actually feel uncomfortable when they get out of the car and they don't leave a tip for the driver."

Customers could determine in their profile what percentage they want to add to a ride, he said, or tie a tip to a driver

rating. "There are ways to make this easy for workers to earn tips," he added.

Luiny Tavares, who belongs to the Guild, works for both Uber and Lyft in New York City. He says his tips from Lyft riders "almost always" cover his 25% Lyft commission fee.

As part of a proposed settlement with drivers in California and Massachusetts last year, Uber revised the language it uses around tipping from saying there is "no need" to tip, to "tipping is not included."

Uber doesn't prohibit cash tips.

For its part, Lyft touts its tipping option as a recruitment tool for drivers. The company said last month that Lyft drivers had earned more than \$200 million in tips since 2012.

Nonprofits Join Forces to Boost Student Success

BY LESLIE BRODY

Thirty years ago, a Connecticut money manager named George Weiss made headlines by promising 112 sixth-graders in a high-poverty school in Philadelphia that if they made it to college, he would pay their tuition.

Twenty earned bachelor's degrees. Some of the others veered off track due to drugs, teen pregnancy or criminal behavior. Mr. Weiss decided his nonprofit, Say Yes to Education, should get involved as early as kindergarten. Now, Say Yes tries to help communities marshal local resources to provide schools with health clinics, counseling and social services.

On Tuesday, Say Yes is expected to announce a new initiative with America's Promise Alliance, another nonprofit seeking to boost graduation rates in the U.S., where 83% of students finished high school in four years in 2015, up from 79% in 2011. While that percentage has risen, educators caution that many seniors who get diplomas aren't ready for college-level work.

Officials at Say Yes and America's Promise say they are investing in a new project, the Weiss Institute, which aims to help public and private-sector groups work together to help students succeed.

Mr. Weiss, 74 years old, said he hopes the institute will enable the Say Yes model to spread beyond the sites it now reaches, including Buffalo and Syracuse in New York, and Guilford County in North Carolina. Say Yes says that with its partners, it gives more than 130,000 students access to

various supports and postsecondary scholarships. "Say Yes is about hope and raising expectations," he said.

Based in New York City, Say Yes is investing \$3 million in the joint venture, officials said. America's Promise says it will deploy its 13 researchers at the Center for Promise at Boston University. Much of the Weiss Institute's work will be done virtually, advising communities on effective programs.



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The announcement comes as America's Promise marks its 20th anniversary in New York City on Tuesday with a "summit" on how to improve the lives of at-risk children. America's Promise is known for its high-profile backers, including five living former presidents. Retired Gen. Colin Powell is its founding chairman and his wife, Alma, is its chairwoman.

One obstacle to progress is the difficulty of getting various government agencies, philanthropies and service providers to work together, say the nonprofits' leaders.

"There are fiefdoms and egos," said John Gomperts, president of America's Promise. "The Weiss Institute approach is how you break those things down so that communities organize themselves to work together."

Bear Gains Give Connecticut Pause

BY JOSEPH DE AVILA

In Connecticut, the bears are back, and the state sees that as a problem.

Around the Nutmeg State, bear sightings last year were up 50% from the year before, according to the state Department of Energy and Environmental Protection. The agency estimates the bear population has swelled to more than 700, up from barely any in the 1980s, and it says the population is growing 10% a year.

The increasing numbers are problematic for the environmental agency, which gets called in when bears are reported rifling through trash cans in residential neighborhoods. State officials try to encourage the omnivores, which can weigh up to 450 pounds, to move on, but when the bear doesn't get the message, officials have to either capture or euthanize the bruins.

State environmental officials are now advocating the legalization of bear hunting more than 175 years after bears were eradicated from the state due to overhunting and changing land use.

"We view this as one more tool in the toolbox as part of an overall approach to managing what is an increasingly robust bear population here in Connecticut," said Susan Whalen, deputy commissioner of state's environmental agency.

Lawmakers are considering a bill for at least the third time in five years. The bear-hunting proposal first needs to pass both the state Senate and House. A legislative bill that would legalize bear hunting cleared the state's environmental committee in March.

Rhode Island is the only other New England state that doesn't allow bear hunting. The practice is legal in New York, where hunters brought down 1,539 bears in 2016, and New Jersey, which killed 636 last year.

New Jersey last year sought to expand bear hunting amid more run-ins between the animals and residents. In July, police shot and killed a 200-pound black bear after it entered a West Milford home through a basement window.

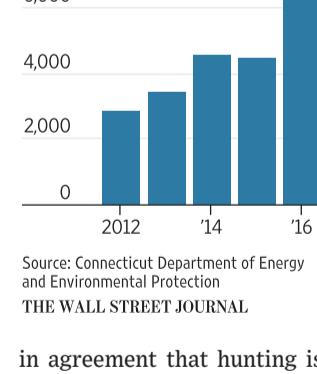
In Connecticut, not all are



A black bear perched in a tree in Hartford, as seen in 2015.

In Plain Sight

Bear sightings in Connecticut



in agreement that hunting is the best way to control the population. Animal-rights organizations consider the practice inhumane and ineffective.

"We don't want to see them exterminated from trophy hunters," said Annie Hornish, Connecticut senior state director of the Humane Society of the United States. Bears are slow to reproduce and are prone to being overhunted, she said.

Ms. Whalen of the state environmental agency said if a bear hunt is legalized, the agency initially would set conservative limits based on the overall population figures. "We are trying to ensure that there is a sustainable and

thriving population of bears in the state," she said.

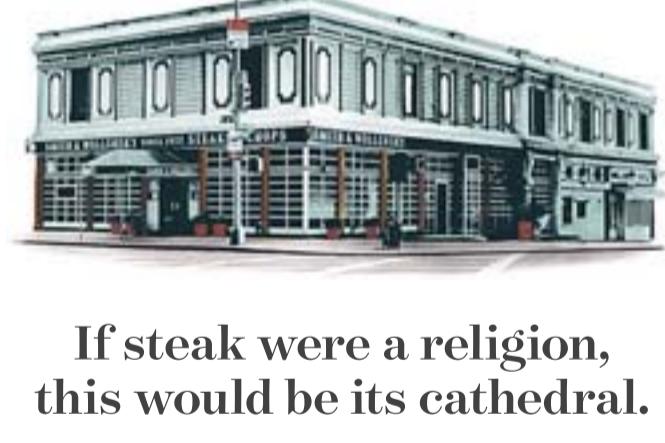
Opponents say conflicts between humans and bears are driven by the availability of food, not the number of bears. If natural food isn't available, they seek out garbage cans, and hunting is an ineffective way to deal with this problem, they contend.

Instead, nonlethal ammunition and other aversive conditioning should be used to reduce conflicts between bears and humans, Ms. Hornish said.

"This isn't a wildlife-management bill," said Lori Brown, executive director of the Connecticut League of Conservation Voters. "This is a recreational hunting bill."

But Greg Chasko, a wildlife biologist on the state's Conservation Advisory Council, argues that hunting would help reduce the potential for conflicts with bears and humans. "If bears start to associate negative things with human beings they are more likely to avoid them," said Mr. Chasko, who also is a hunter.

Hunting enthusiasts are eager for the sport to open in the state. Aili McKeen, legislative liaison with the Nutmeg State Council of Sportsmen, said Connecticut is equipped to determine whether there are enough bears in the state to hunt without endangering their long-term survival.



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GREATER NEW YORK

One Vanderbilt Lands Top Chef Daniel Boulud

By KEIKO MORRIS

SL Green Realty Corp.'s grand ambition of creating a new landmark and redefining the experience around Grand Central Terminal always has included a top-notch dining destination.

For that, the New York developer has turned to celebrity chef Daniel Boulud.

SL Green and its partners in One Vanderbilt, a planned 1.7-million-square-foot office tower next to Grand Central Terminal, have formed a joint venture with Mr. Boulud's company to create a restaurant in a dramatic second-floor space with ceilings rising as high as 110 feet and a casual cafe on the first floor.

Mr. Boulud's company, the Dinex Group, also will guide the menu offered in the building's private amenity space for its tenants.

"We started several conversations with some of the top chefs and restaurateurs in New York, in the country and, quite frankly, around the world," said Marc Holliday, chief executive of SL Green. "Very quickly, it was easy for us to conclude that Daniel and his team are perfect for One Vanderbilt."

One of those early discussions began about a year ago over a meal at Mr. Boulud's New York flagship, Daniel, in a private dining area overlooking the kitchen, Mr. Holliday said, adding that he was impressed with the restaurant's "inventive" environment.

For Mr. Boulud, the new tower itself, the design of the

restaurant's 11,000-square-foot space and its prime location presented a huge opportunity. The second floor will be "just above the traffic and the madness of Midtown," Mr. Boulud said.

While he said it was too early to provide specifics about his restaurant concept and style, the seasons will play a part in the cuisine. He said he would have a casual location on East 42nd Street offering grab-and-go items, as does his Epicerie Boulud in the World Trade Center's Oculus. "The position of the building and the sheer traffic of businesses and of people commuting and working, it was a prime location," Mr. Boulud said. "It's an amazing address."

Mr. Boulud's role in shaping the menu for the tower's private space also will be key to attracting tenants, said Mr. Holliday. The third-floor tenant space will feature an auditorium, meeting places and a 5,000-square-foot terrace with food offerings, overlooking a new plaza and Grand Central Terminal. "That is something very much in line with what people want today," Mr. Holliday said.

The \$3 billion tower is viewed by city planners as a start in modernizing the area around Grand Central Terminal and the wider neighborhood. The skyscraper, which will sit on the block between Vanderbilt and Madison avenues and East 42nd and East 43rd streets, is anchored by a 200,000-square-foot lease with TD Bank, a subsidiary of Toronto-Dominion Bank.



A rendering of One Vanderbilt, a \$3 billion office tower being constructed near Grand Central Terminal in Manhattan.



FROM TOP: CAROL ROSEGG; JUSTIN SCHLAR; PHOTO: RONALD L. GLASSMAN

Yiddish Cultural Revival Is Afoot

By CHARLES PASSY

For many, Yiddish culture begins and ends with the musical "Fiddler on the Roof."

But these days in New York, artists and cultural groups are looking to offer a much broader perspective on all things Yiddish, from the often socially and politically charged works of Yiddish theater that emerged in the early 20th century to the soulful klezmer musical tradition that has become especially popular during the last few decades.

And that isn't even considering the renewed attention that Yiddish itself—a hybrid of German, Hebrew and other languages—is being accorded, especially in academic circles.

The cultural community's efforts are taking many forms. Perhaps most prominent among them is Pulitzer Prize-winning playwright Paula Vogel's "Indecent," which opens Tuesday night on Broadway. It is play that itself looks at a play—specifically, the Yiddish writer Sholem Asch's controversial "God of Vengeance," which bowed on Broadway in 1923 but was effectively shut down because of obscenity charges. (The play is set in a brothel and features a scene of two women kissing.)

Cultural groups also are building audiences through festival programming.

For the past two years, the Center for Traditional Music and Dance has produced Yiddish New York, a multiday December event that incorporates a variety of programs, from klezmer jam sessions to lectures and workshops.

Similarly, the National Yiddish Theatre Folksbiene, an organization with a 102-year his-

tory, has produced the KulturfestNYC, a festival that includes about 90 events that cumulatively attracted 125,000 attendees in its monthslong incarnation in 2016.

The company also is one of the producers of "Indecent" on Broadway.

Startup organizations devoted to Yiddish culture are coming to the fore as well. Consider the New Yiddish Rep, which in its eight years has drawn considerable attention for its productions in Yiddish of such English-language classics as Samuel Beckett's "Waiting for Godot" and Arthur Miller's "Death of a Salesman." More recently, the company staged "God of Vengeance" for an off-Broadway sold-out run at the Theatre at St. Clement's.

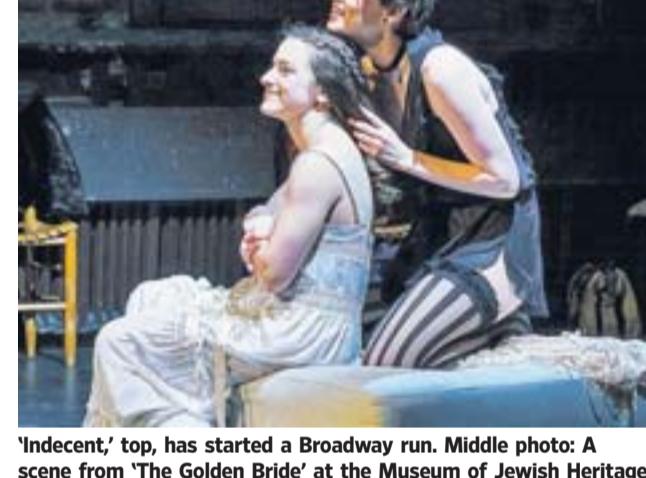
Artists and arts groups involved in the burgeoning Yiddish cultural scene say the trend speaks to a generational shift. For many years, American Jews, particularly those who emigrated from Europe in the first half of the 20th century, often sought to distance themselves from their Yiddish-tinted past—as colorful as it could sometimes be.

"The only Yiddish words I was taught in childhood were the words I was told never to say in public," said Ms. Vogel, the playwright.

Now, a new generation is eager to learn about the Yiddish traditions of their parents, grandparents and great-grandparents, and perhaps expand upon them in a contemporary manner.

"It's a way to get excited about Jewish identity," said Peter Rushefsky, executive director of the Center for Traditional Music and Dance.

Mr. Rushefsky and others are quick to point out that the scene has blossomed to the extent that non-Jews are heavily involved. A case in point is Shane Baker, a New York actor and translator who has worked with both the National Yiddish Theatre Folksbiene



'Indecent,' top, has started a Broadway run. Middle photo: A scene from 'The Golden Bride' at the Museum of Jewish Heritage in Manhattan. And a recent production of 'God of Vengeance.'

and New Yiddish Rep and serves as executive director of the Congress for Jewish Culture.

His background? Mr. Baker was brought up as a Christian in Kansas City, Mo. "I'm the best-loved Episcopalian on the Yiddish stage today," he said.

Man Sentenced in Times Square Hotel Killing

By CORINNE RAMÉY

An Alabama man was sentenced to 25 years to life in prison Monday for the 2007 killing of a woman in a Times Square hotel.

In December, a state Supreme Court jury in Manhattan convicted Clarence Dean, 45 years old, of second-degree murder in the death of Kristine Yitref, 33.

The case fueled debate about whether to allow a bite mark found on Ms. Yitref's body as evidence. It also marked an exceptionally long period of pretrial detention, as Mr. Dean has been behind bars

since his 2007 arrest. Clarence Dean received a penalty of 25 years to life in prison for killing Kristine Yitref in 2007.

Clarence Dean committed a merciless and brutal act of violence against a vulnerable woman," Manhattan District Attorney Cyrus Vance Jr. said in a statement on Monday.

Mr. Dean struck Ms. Yitref with such force that her bones were reduced to dust and he

squeezed her neck so tightly it snapped, Mr. Vance said.

An attorney for Mr. Dean didn't respond to a request for comment. The attorney previously has said his client would appeal the conviction. Mr. Dean has said he choked Ms. Yitref but didn't kill her.

On Aug. 28, 2007, Mr. Dean met Ms. Yitref on a Manhattan street and invited her to his room at the Hotel Carter to have sex, prosecutors said.

Two days later, a hotel housekeeper found the woman's body stuffed in a plastic garbage bag under the bed, they said. She had a skull fracture, broken neck bone

and shattered breast bone, prosecutors said.

Police arrested Mr. Dean on Aug. 31, authorities said.

Ultimately, the bite-mark evidence wasn't used during the trial.

Bite-marks, critics contend, often are unreliable and point to wrongful convictions based on their inclusion in criminal trials.

In a January 2016 letter, the Manhattan district attorney's office defended the use of bite-mark evidence in this case but said it wouldn't use it because the trial had been delayed so long and it had other proof of Mr. Dean's guilt.

GREATER NEW YORK WATCH

BROADWAY

'Groundhog Day' Opens With Its Star

The Broadway musical "Groundhog Day" opened with its star Monday, despite an injury that knocked him out of weekend performances.

Andy Karl hurt his knee during a preview performance on Friday. In an Instagram post, he said he had no broken bones but had "tweaked his knee after a poorly landed leap frog."

The show canceled a matinee on Saturday and used an understudy for a performance that night.

Mr. Karl said in an Instagram post Monday that he had torn

his ACL. He has already begun physical therapy, he added.

In the musical, at the August Wilson Theatre on W. 52nd Street, Mr. Karl plays Phil Connors, a weatherman who lives the same day over and over again. It is based on the 1993 movie of the same name. Mr. Karl also played the lead in the show's London production.

—Corinne Ramey

CONNECTICUT

Quinnipiac President To Retire Next Year

The president of Quinnipiac University said he would step down next year after more than three decades on the job.

President John Lahey said in a weekend message to the school community that he plans to retire on June 30, 2018.

The university in Hamden was a small college with fewer than 2,000 students when Mr. Lahey took over in 1987, but is now a national university with about 10,000 students.

During his tenure, the private university added a law school, a medical school and a school of engineering. He also helped expand the endowment to more than \$400 million from \$5 million.

The nationally recognized Quinnipiac University Poll was also established during Mr. Lahey's time at the school.

—Associated Press

NEW JERSEY

Cast Member Pleads Not Guilty in Tax Case

"Jersey Shore" star Michael "The Situation" Sorrentino and his brother pleaded not guilty Monday to tax-fraud charges after federal prosecutors say they filed fake tax returns and claimed luxury car and clothing purchases were business expenses.

"This is a complicated case—Michael is not a complicated person," his attorney, Henry Klingerman, told reporters outside the courthouse. Marc Sorrentino's attorney declined to comment on the proceedings.

—Associated Press

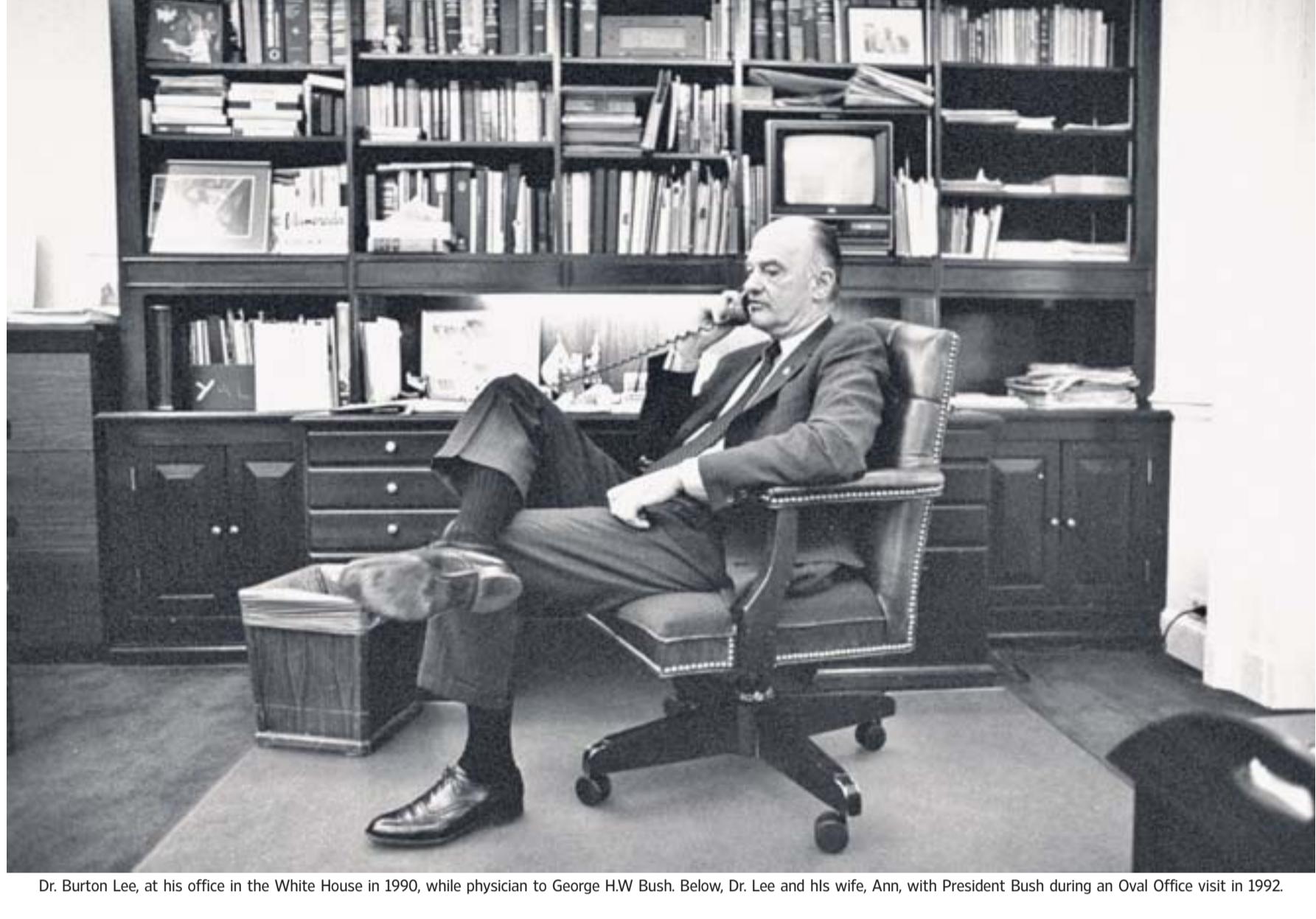
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LIFE & ARTS



FROM TOP: WILLIAM FOLEY/LIFE IMAGES COLLECTION/GETTY IMAGES; GEORGE BUSH PRESIDENTIAL LIBRARY AND MUSEUM; MARY JO BALKIND LEE FAMILY ARCHIVES

Dr. Burton Lee, at his office in the White House in 1990, while physician to George H.W. Bush. Below, Dr. Lee and his wife, Ann, with President Bush during an Oval Office visit in 1992.

HEALTH

The Endangered ‘Good Doctor’ Who Cares for Body and Soul

Burton J. Lee III, a renowned oncologist, treated the president and this reporter, but landed on the outs as the profession changed

BY LUCETTE LAGNADO

Vero Beach, Fla.

AT A MEMORIAL SERVICE in this seaside community recently, I found myself walking down the aisle of a Protestant church, in a procession of family members honoring a local resident, Burton J. Lee III.

Dr. Lee wasn't my relative. He was my oncologist, ever since I was a teenager with Hodgkin's disease, a cancer of the lymph-node system. In the pew, I sat alongside Dr. Lee's widow, his children and stepchildren, sibling, half-siblings and twin sister.

A nationally renowned physician, Dr. Lee had worked for a U.S. president and helped change the country's policy on AIDS. He also had cared for me as if I were his own daughter over the course of four decades, from **Memorial Sloan Kettering** Cancer Center, where we met, to the White House, where he served as physician to George H.W. Bush, to a brief stint running a biotech firm, to a Florida retirement enclave where he insisted he wasn't retired.

Dr. Lee never ceased being my doctor—even decades after my disease went into remission. He was the physician I put my faith in for medical and non-medical decisions from the time I was a terrified 16-year-old to years later, when, as a young journalist, I flew to Washington for a checkup at the White House. I continued to see him in Vero Beach, where his living-room couch became the examining table.

Dr. Lee embodied what the French call *le bon docteur*—“the good doctor” who is equally skilled in making a diagnosis as in figuring out the treatment, and one who befriends patients, seeing the human connection as essential to curing the disease. Today, that doctor-patient relationship is eroding in a world of ever-briefer consultations, clinical algorithms and electronic health records that keep physicians glued to a computer rather than focused on the patient. The high-achieving—and difficult—Dr. Lee took the time to treat body and soul, putting him at odds with a changing profession as well as some of his colleagues.

At the service, Paul Hetzel, a physician who had trained at Me-



morial Sloan Kettering and fallen under Dr. Lee's spell, recalled, “He taught me how to look at a patient and determine how they were doing without X-rays, CT scans and the like.” Later he told me that Dr. Lee emphasized the importance of knowing “more about the patient than their disease.”

Recent years have seen the culture of medicine change, Carol Bernstein, an associate professor of psychiatry at NYU School of Medicine, said in an interview. “There is no time anymore for the doctor to be with the patient.”

Concerned by how alienated doctors feel, the American College of Physicians is seeking to reduce those burdens. In a position paper published March 28 in the *Annals*



Dr. Lee, left, sledding with his twin sister in the mid-1930s.

of Internal Medicine, the organization wrote that mounting administrative tasks “divert time and focus from more clinically important activities of physicians and their staffs, such as providing actual care to patients and improving quality.”

Nitin S. Damle, president of the

American College, says, “I think the joy of medicine is really the relationship with the patients over a long period of time.”

Time, of course, was what Dr. Lee never stinted on with me.

Studying the Patient

He treated me at Sloan Kettering's Lymphoma clinic, where Medicaid patients were seen. The first time we met, I peered at him suspiciously, a tall unsmiling man in gray flannel slacks and a shirt with rolled-up sleeves. If he was a doctor, why wasn't he wearing a white coat?

I was scared out of my wits—and it didn't help that he was looking at me intently. I didn't know that that was how he assessed a case, simply by studying a patient. But he calmed me with

easy banter, asking not just about my symptoms, but also my favorite subjects in school, my hobbies and ambitions. I was a senior in high school; I was supposed to start college in the fall, though that was in question.

Dr. Lee and I weren't merely from different backgrounds but different universes. He grew up on Manhattan's East Side, then moved to his grandfather's estate on Long Island. He went to Phillips Academy Andover, Yale and medical school at Columbia.

I was the daughter of Jewish immigrants from Egypt with few resources. At home in Brooklyn, my family was unraveling in the face of my illness. My dad became teary as he asked Dr. Lee to care for me. Dr. Lee, uncomfortable, ushered him out of the office. When my mother pleaded with Dr. Lee to take over my case, he warned that we couldn't afford him. Suddenly, he relented and declared he would become my personal physician.

“Madam, I will save your child,” he vowed.

From then on it was only he and I. No parents, no outsiders, no *butinskys*. Dr. Lee controlled the course of my treatment with an iron hand. Years later, I befriended another patient of his, the actress and artist Kathryn Beckwith, who told me she had dubbed him “General Patton.”

But he also dealt with me—and my fragile teenage angst—with compassion. “You will go to college in the fall,” he declared when I asked what would become of me. He said it as if brooking no dissent. I felt hopeful for the first time in months.

Beyond health, he had strong opinions about pretty much any subject. Friends, romance, which novels I should read, what social trends I should embrace—he counseled me on any and all.

He also fascinated me with glimpses of another, glamorous life. He loved to talk about his beautiful wife, Ann, from Nassau, the Bahamas. He would mention their home in Old Greenwich and trips to Martha's Vineyard.

Then there was the photograph on his desk of a row of girls in bikinis alongside a strapping guy. They were his kids, he said—five daughters and a son. I stared at

Please see DOCTOR page A10

LIFE & ARTS

MUSIC REVIEW | Jim Fusilli

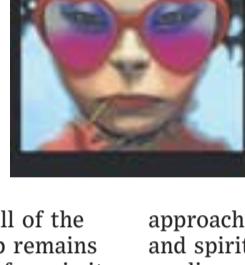
Animating Vocalists Across Genres

The fifth album from the virtual band explores deep house, hip-hop, funk and soul

GORILLAZ RESUMES its terrifically inventive career with "Humanz" (Warner Bros.), its fifth album and first since 2011. A virtual band represented by animated characters created by Jamie Hewlett, Gorillaz has grown well beyond that original concept and established itself as a loose affiliation of musicians rather than a set lineup. Under the guidance of Damon Albarn, who plays most of the instruments and had a hand in writing all of the songs, the ad-hoc group remains free to make any kind of music it can muster. On "Humanz," Gorillaz explores deep house, hip-hop, funk and soul. The album arrives on April 28.

The infectious music often springs from early-'80s drum-machine beats and relies on modest patterns on synthesizers; thus, it manages to be retro and right now at the same time. As he was on its previous recordings, Mr. Albarn proves supremely democratic when choosing who will provide the voices on top. Guests here include rap and hip-hop's Danny Brown, De La Soul and Vince Staples; experimental pop's Kali Uchis; and soul and funk's Anthony Hamilton, Grace Jones, Kelela and Mavis Staples. Noel Gallagher and Savages' Jehnny Beth join in on "We Got the Power," while Benjamin Clementine adds Nina Simone-style melodrama to "Hallelujah Money." Carly Simon appears on a track on the deluxe edition.

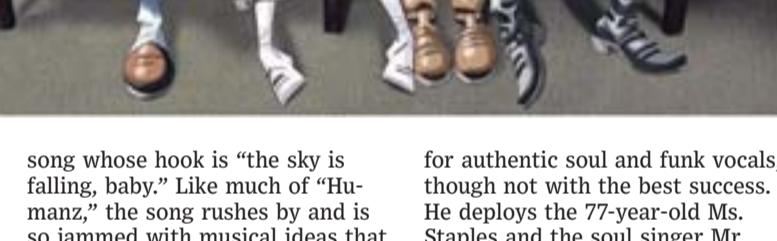
Animation remains a part of Gorillaz's world: The maladapted cartoon quartet was featured exploring a haunted house in a video by Mr. Hewlett released last month to introduce "Saturnz Barz" and snippets of three other songs from "Humanz." But long ago Gorillaz's focus shifted to the music made largely by Mr. Albarn, who has fashioned an admirable



career following his stint as the leader of the 1990s Britpop group Blur (which reunited briefly in 2015 for the album "The Magic Whip"). He has wide-ranging musical interests, having recorded in various settings with African musicians and formed the Good, the Bad & the Queen with Nigerian drummer Tony Allen, ex-Clash bassist Paul Simonon and guitarist Simon Tong.

His eclecticism and openness give Gorillaz a distinctive approach that is too imaginative and spirited to be confined to recordings by a virtual group. Concerts feature all-star lineups: One version of the live band, with Mr. Albarn on guitar and keyboards, included Mr. Simonon, former Clash colleague Mick Jones and guest vocalists Neneh Cherry, Lou Reed, Snoop Dogg and Bobby Womack. Thus, a Gorillaz concert is like an old-fashioned variety show with an emphasis on quality music, entertainment and good fun.

And so it is on "Humanz." The diversity and sheer number of vocalists give the album its freshness and swagger. Engaging performances abound. Over popcorn synths and a wobbly chorus, Kelela sings with seductive strut on "Submission," which features a comedic rap by Mr. Brown. "Charger," the next track on the album, builds on a battery of harsh sounds as Ms. Jones, whose voice drips with defiance, provides the counterpoint. Over skittish high-energy rhythms, Mr. Staples spits a politically charged rap in "Ascension," an ironic title for a



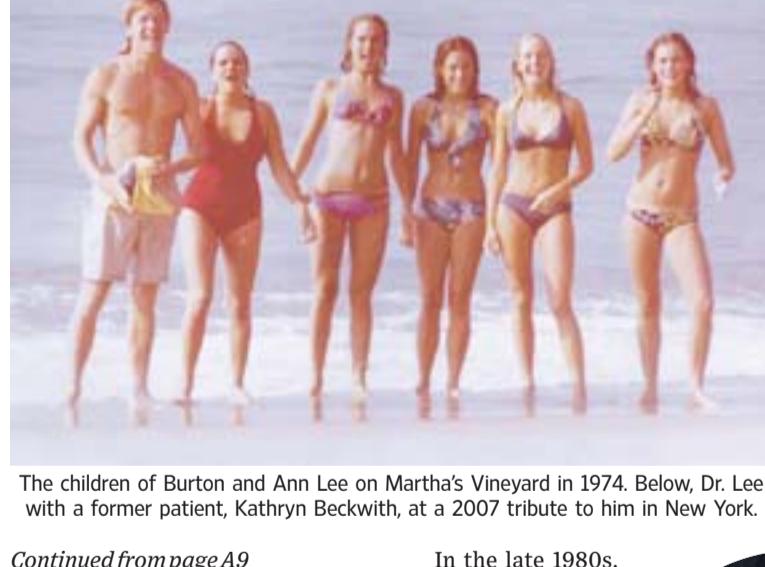
Jamie Hewlett and Damon Albarn, above, the men behind Gorillaz, left

a riot of synthetic percussive sounds. Peven Everett, though, is out front in the extra-funky dance number "Strobelite," and he excels. Mr. Albarn sings "Andromeda," a track inspired by a dance club of his youth that sways nicely.

"Humanz" has modest political overtones in its lyrics, particularly in Mr. Staples's "Ascension," a dizzying harangue against racism. In some new promo videos, the animated Gorillaz wander a landscape so grim it appears post-apocalyptic. Yet the album emerges as another example of how Mr. Albarn deploys his contact list and musical toy box to indulge in his gift for whimsy. Whatever problems there may be in the world, on "Humanz" his counsel is to continue to dance with joy. Gorillaz's new music makes it possible to do so.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

DOCTOR



The children of Burton and Ann Lee on Martha's Vineyard in 1974. Below, Dr. Lee with a former patient, Kathryn Beckwith, at a 2007 tribute to him in New York.

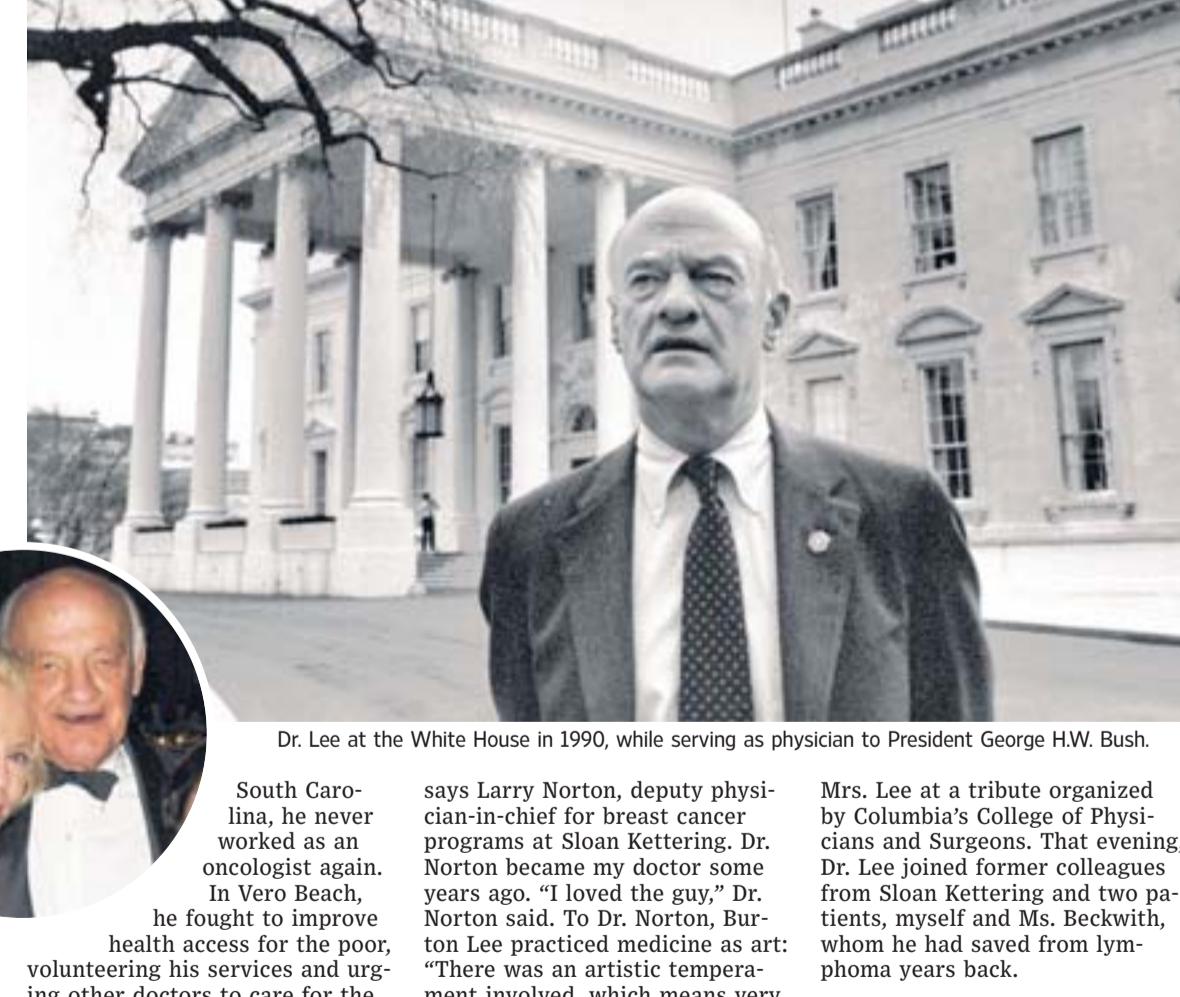
Continued from page A9
the picture with longing, day-dreaming about those attractive children and how lucky they were to have Dr. Lee as a father.

I didn't know about the pain and divorce, the fact that three of the children were from his first marriage and three were step-daughters whom he was raising as his own.

A Physician in Exile

Some people saw Dr. Lee as difficult and cantankerous. While he had his fervent admirers, he occasionally clashed with colleagues and fought with those he felt were underperforming. I often thought he relished being a thorn in the side of authority figures. At Sloan Kettering, he rose through the ranks to become the senior physician in the Lymphoma Service. An expert in Hodgkin's and multiple myeloma, he developed some of the earliest protocols that became standard treatment throughout the world, according to the hospital.

In the late 1980s, through connections to the Bush family, he was appointed under President Reagan to a special commission on AIDS. When President George H.W. Bush appointed him physician to the President, Dr. Lee resigned from Sloan Kettering—a decision he came to regret. The cancer world was changing when he emerged from the White House. Sloan Kettering, for example, was increasingly favoring scientists over old-fashioned clinicians like Dr. Lee. The shift was a mistake that would hurt patients, he said—one of many convictions that likely hurt his career. I never knew why, after 30 years at Sloan Kettering, he didn't or couldn't return—or start afresh at another institution. After a brief, unhappy stint running a cancer program in



South Carolina, he never worked as an oncologist again. In Vero Beach, he fought to improve health access for the poor, volunteering his services and urging other doctors to care for the uninsured. He never stopped thinking and reading about cancer research. Sanford Kempin, an oncologist who trained with him at Sloan Kettering, remembered Dr. Lee telephoning last year to ask his opinion of a new Hodgkin's drug and being so excited to hear it was promising.

"He was a purist. He held his views and expressed his views and there was no middle ground,"

says Larry Norton, deputy physician-in-chief for breast cancer programs at Sloan Kettering. Dr. Norton became my doctor some years ago. "I loved the guy," Dr. Norton said. To Dr. Norton, Burton Lee practiced medicine as art: "There was an artistic temperament involved, which means very strong opinions."

After Dr. Lee's clashes at Sloan Kettering, within the Bush White House and then the Vero Beach medical community, I came to see him as a tragic figure, unable to do the work he loved: practice oncology.

"I am a physician in exile," he once told me.

Occasionally recognition did come. In 2007, I joined Dr. and

Mrs. Lee at a tribute organized by Columbia's College of Physicians and Surgeons. That evening, Dr. Lee joined former colleagues from Sloan Kettering and two patients, myself and Ms. Beckwith, whom he had saved from lymphoma years back.

Kismet'

Dr. Lee refused to say I was "cured" of Hodgkin's disease. Years later, I asked what determined whether someone's cancer would spread. He paused before answering, "Kismet."

By then, he was fighting bladder cancer and some of his old bravado was gone. He was 86 when he died last November on the day after Thanksgiving.

LIFE & ARTS



TRICKS OF THE TRADE | Cheryl Lu-Lien Tan

The Perfect Pairing

A JEWELRY BOX with pieces that span decades, styles, price points and trends poses a challenge: How to pair disparate items in one polished look.

Jewelry designer Monica Vinader knows the conundrum. "I've got four jewelry boxes that are pretty full and plates and plates of bangles, earrings and rings," says Ms. Vinader, who estimates that she has hundreds of pieces, about 70% of them contemporary and the rest vintage.

Ms. Vinader, who lives in Nor-

folk, England, is founder and creative director of Monica Vinader jewelry, which is sold at Harrods, Saks Fifth Avenue and other stores.

When choosing jewelry to wear, she believes that less is more. "I don't really like to have too many styles on," she says. "I wouldn't wear a really wild pair of cocktail earrings with a statement necklace. I don't like to be totally dripping with jewelry."

If one piece is striking, Ms. Vinader makes it the focal point. "I have one ring that I'm totally in

love with. It's a 1950s ring that's like wrapping leaves with a diamond pattern all around it," she says. "When I wear it, I don't feel I can wear any other rings. I may wear that ring on its own, then one of my cuff [bracelet]s with it."

Similarly, a piece with a distinctive style or with the stamp of a particular culture or era, should take center stage on its own. "I've got a really big Navajo turquoise statement necklace. I pair that with a pair of simple, silver stud earrings," she says.



Jewelry designer Monica Vinader and combinations that show how some of her creations can be worn.



How to Mix Your Metals and Stones

If one piece of jewelry makes a striking statement, keep the other pieces subtle.

Different pieces can work together if they share a particular metal or color.

Don't mix faceted stones with stones that have smooth surfaces.

Jewelry that has strikingly colored stones seldom works with items of other colors.

Some metals, such as rose gold and silver, mix well but yellow gold works best on its own.

When it comes to colorful stones, Ms. Vinader sometimes mixes hues. "I like mixing stones in (slender) stacking rings. They're small enough that you end up with a cluster of colors," she says. "But I wouldn't clash, for instance, a bright pink cocktail ring with a bright blue cocktail ring."

If the color of the stone in one piece is striking, it's best to let that single hue dominate. "I've got a pair of beautiful green onyx cocktail earrings and I never wear them with anything other than green or tonal gold jewelry," Ms. Vinader says. "When you're wearing too many competing colors, you're taking away from the power of that one piece."

Stones of different colors but similar finishes can pair harmoniously. "Labradorite, a stone that has a pearlescent to it, and moonstone, which has the same kind of pearlescence to it, work incredibly well together," Ms. Vinader says.

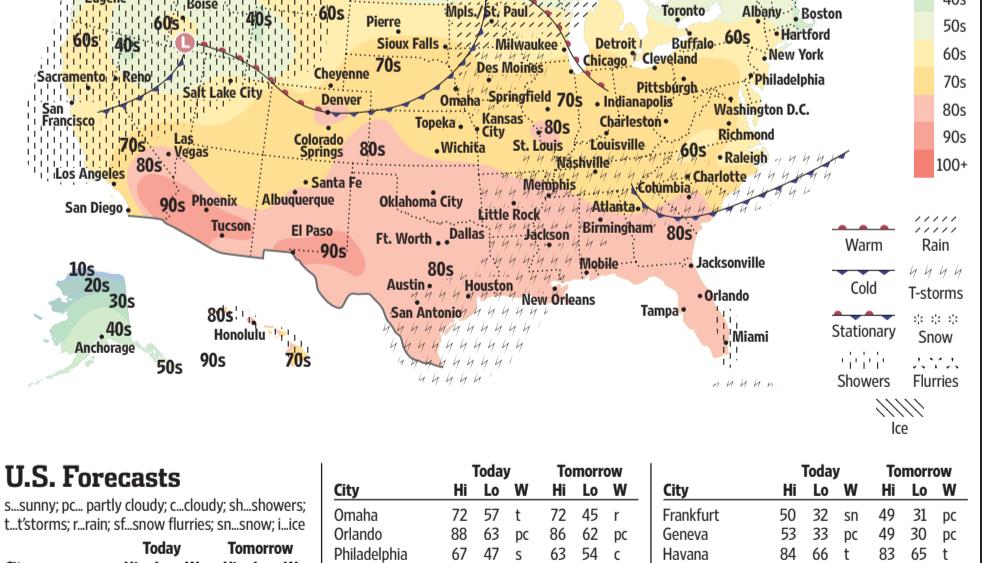
How a stone is cut also is an important consideration, says Ms. Vinader, who steers clear of pairing faceted stones, which often have sharp edges and reflect the light, with cabochon ones, which have a smooth surface. "They don't work so well together. It can clash a little," she says.

She has no problem mixing jewelry from different price points. "I really think anything goes," she says. "I quite like mixing, say, a corded friendship bracelet with a really fine diamond bracelet or wearing a really big pair of diamond earrings when I'm wearing jeans...It's quite nice to demystify expensive jewelry and diamonds and dress them down. That's the modern way of wearing jewelry."

One thing Ms. Vinader doesn't pair is patterned clothes and distinctive jewels. "For me, prints always clash with jewelry," she says. "If you're wearing a simple hoop with pavé diamonds you can wear a gorgeous print dress and a gold cuff."

Finally, Ms. Vinader encourages experimenting. "The mistake I see with so many customers is that they feel they've got to overmatch. People are sometimes overly respectful of jewelry and scared that if it's not part of a set, it's not going to work," she says. "I like to break up sets, wear odd earrings together. It's supposed to be fun. That's the beauty of it."

Weather



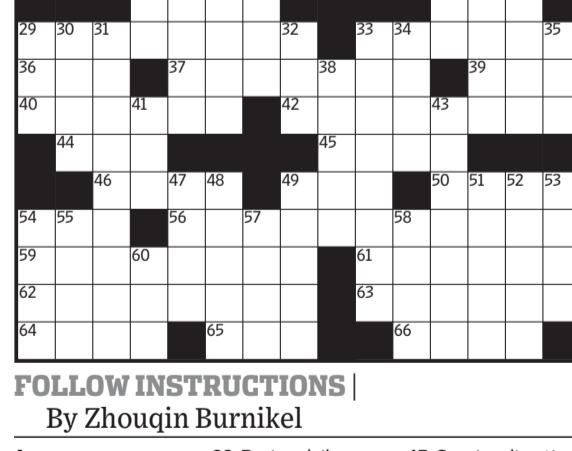
U.S. Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Anchorage	46	30	s	49	32	s
Atlanta	78	62	c	82	63	pc
Austin	83	63	t	86	65	pc
Baltimore	72	48	s	63	56	pc
Boise	60	39	sh	65	48	pc
Boston	49	38	pc	52	44	c
Burlington	55	41	pc	55	46	r
Charlotte	70	57	r	75	61	t
Chicago	75	60	s	64	44	t
Cleveland	72	59	s	74	57	t
Dallas	86	65	c	86	67	pc
Denver	80	47	pc	72	40	pc
Detroit	68	56	s	71	50	r
Honolulu	84	72	pc	85	73	pc
Houston	82	64	t	84	65	sh
Indianapolis	76	62	pc	78	63	t
Kansas City	78	64	c	82	51	c
Las Vegas	84	62	pc	84	61	s
Little Rock	80	62	t	85	65	pc
Los Angeles	70	56	c	73	55	s
Miami	83	72	pc	83	73	sh
Milwaukee	68	52	s	65	40	r
Minneapolis	65	43	r	53	41	r
Nashville	78	62	t	85	63	pc
New Orleans	81	64	pc	82	65	pc
New York City	60	46	s	56	48	c
Oklahoma City	82	62	c	84	60	pc

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	52	33	pc	49	34	pc
Athens	69	57	s	72	53	pc
Baghdad	90	60	pc	84	60	s
Bangkok	96	81	c	97	80	pc
Beijing	74	45	s	71	44	c
Berlin	43	29	r	44	28	pc
Brussels	51	30	pc	48	30	c
Buenos Aires	71	57	s	71	58	c
Dubai	96	80	s	96	82	s
Dublin	50	41	pc	57	43	c
Edinburgh	50	39	pc	55	46	c
Zurich	47	29	c	48	29	pc

The WSJ Daily Crossword | Edited by Mike Shenk



FOLLOW INSTRUCTIONS | By Zhouqin Burnikel

- Across**
- 1 Trio of Yule travelers
 - 5 Helpful connections
 - 8 "Call on me!"
 - 12 "Honor Thy Father" author Gay
 - 14 Reuters, for one
 - 16 It's paid on out-of-state purchases
 - 17 Beverage in a Japanese ceremony
 - 18 Go to 13-Down
 - 20 Little kid
 - 21 Flyer on a string
 - 22 Boring daily routine
 - 23 Dash device
 - 25 Aid in a scam
 - 27 Oyster's home
 - 29 Counts and dukes
 - 31 Cleans
 - 36 LAX board info
 - 40 Take the stage
 - 42 "Ladies first!"
 - 44 Service station buy
 - 45 Sunrise direction, in Sonora
 - 46 Ukraine's capital
 - 49 Letter before epsilon
 - 50 "As a result..."
 - 54 Fuming
 - 56 Go to 53-Down
 - 59 "Heaven forbid!"
 - 61 Stereo knob
 - 62 "That explains everything!"
 - 63 Tamper-resistant, in a way
 - 64 Unit of force
 - 65 Org. that issues nine-digit IDs
 - 66 Hang around
- Down**
- 1 Kenyan people
 - 2 On guard
 - 3 "Stop dreaming!"
 - 4 "My word!"
 - 5 Metal bar
 - 6 Super Soaker brand
 - 7 Workout byproduct
 - 8 Totally dominate
 - 9 Go to 27-Across
 - 10 "Milk's Favorite Cookie"
 - 11 American Airlines Arena team
 - 12 Diving position
 - 13 Polar opposites
 - 15 Evening, in Italy
 - 19 External
 - 24 41-Down's network
 - 26 Newirth of "Madam Secretary"
 - 28 Art (style of the 1920s and 1930s)
 - 29 Short rest
 - 30 Not a copy: Abbr.
 - 31 Go to 40-Across
 - 32 Packers' org.?
 - 33 Divers wear them
 - 34 At time (prearranged)
 - 35 Disco fanatic on "The Simpsons"
 - 38 "Sadly, it looks like..."
 - 41 Forensic series
 - 43 Turn tail and run
 - 47 Unspoiled spot
 - 48 Hawks
 - 49 Colorful aquarium fish
 - 51 "Se español"
 - 52 Six-time baseball All-Star Chase
 - 53 Ranked tournament player
 - 54 Watch over
 - 55 Sailor hailer
 - 57 Foot fivesome
 - 58 Miners dig them
 - 60 "The Raven" writer

Previous Puzzle's Solution



SPORTS



THE BOSTON MARATHON

KENYANS SWEEP; STRONG SHOWINGS FOR RUPP, HASAY

BY MATTHEW FUTTERMAN

BOSTON—On an uncomfortably hot day for distance running, Geoffrey Kirui of Kenya outlasted American Galen Rupp to take the 121st running of the Boston Marathon.

Rupp, who was running his first big-city marathon after taking the bronze medal in the event in the Rio Olympics, stayed with Kirui until the final stages, but couldn't cover Kirui's move to the lead in the final two miles. Rupp's result—he finished just 21 seconds behind Kirui's winning time of 2:09:37—was especially impressive, given that he had a cortisone shot in his left foot two weeks ago to treat the pain related to a nagging plantar fasciitis injury.

Then there was the weather on Monday, with temperatures stretching into the mid-70s and lay runners stumbling through the second half of the race. Despite a stiff tailwind that usually translates into blistering times for the leaders, the winning group was some six minutes behind the best times achieved here.

Even in defeat, Rupp was no worse for the wear.

"I had an incredible time out there," Rupp said after the race. "My training hasn't been optimal. So I am excited and I think I have a lot of room to grow."

In the women's race, Kenya's Edna Kiplagat pulled in front as the lead pack ventured through the Newton hills and won in 2:21:52, 59 seconds better than Rose Chelimo of Bahrain. American Jordan Hasay, who, like Rupp, trains with the Nike Oregon Project, finished third in 2:23:00 in her debut marathon.

Hasay is just 25 years old. Other than freakish speed, her signature is a long blond ponytail that stretches to the bottom of her back. Her third-place showing was a big statement about her intent on becoming the face of women's long-distance running in the U.S. in the coming years.

Hasay's mother died in November at the age of 56 and she dedicated her gutsy performance Monday to her. Desiree Linden, another American, finished fourth giving U.S. women two of the top four spots for the first time in Boston since 1991.

American men also grabbed two of the top four slots and six of the top 10.

"Jordan ran tremendous," said Rupp, who at the age of 30 should have several quality years of marathon running ahead of him. "It is a real exciting time and great to see American distance running on the upswing."



Top, Boston Marathon winners Edna Kiplagat, left, and Geoffrey Kirui. Above, Galen Rupp.



STEPHEN BRASHEAR/GETTY IMAGES

A New Infatuation With Outfield Defense

BY JARED DIAMOND

WHEN THE KANSAS CITY Royals rode an otherworldly bullpen to consecutive World Series appearances in 2014 and 2015, the rest of baseball reacted the only way it knows how: by copying them. The three largest contracts ever awarded to relief pitchers were signed this winter, as teams look to imitate the Kansas City's model.

But what if the most important takeaway from the Royals had nothing to do with closers and setup men? A couple of teams located in opposite corners of the country believe they have found the real key: outfield defense.

"The Royals didn't have the most highly touted players, but the guys could absolutely play lights-out defense," said Kevin Kiermaier, the Tampa Bay Rays' Gold Glove center fielder. "There's no way other teams don't look at what the Royals did the past couple years."

With new analytic tools sharpening executives' ability to evaluate fielding ability, the Rays are one organization that sees outfield defense as an important differentiator at the top of the majors. Already equipped with one of the best defensive outfielders in Kiermaier, the Rays made a series of unheralded moves that will turn the Tropicana Field outfield into a hitter's worst nightmare.

They signed free agent Colby Rasmus and his rocket-powered throwing arm for just \$5 million and traded for the speedy Peter Bourjos and Mallek Smith for next to nothing. Though Rasmus and Smith are both currently injured, returners Corey Dickerson and Steven Souza Jr. are also strong defenders.

Then, during spring training, Kiermaier inked a \$53.5 million deal that will keep him in Tampa Bay through at least 2022, the clearest sign yet that the small-budget Rays view his defense as an undervalued asset.

"It helped me out a lot, going away from the old traditional way where you pay all the power hitters the most money," Kiermaier said. "Our front office really saw how I can impact a game."

Then you have the Seattle Mariners, another organization doubling down on range and athleticism in the outfield. Last in the postseason in 2001, the Mariners came tanta-

lizingly close to snapping the sport's longest playoff drought in 2016, winning 86 games.

A closer look at the numbers suggests they perhaps should have fared even better. Seattle finished third in the American League in runs scored and ERA, making it just the third team since the introduction of the wild card in 1995 to finish in the top three in both of those categories and still miss the playoffs. What held the Mariners back is easy to identify: When the ball was hit in the air, they didn't do a very good job of catching it. By virtually every advanced metric, Seattle had one of the worst five outfield defenses in the majors last year.

After a series of trades that resulted in the acquisition of Jarrod Dyson and Mitch

The move comes as teams increasingly favor an offensive approach that prioritizes fly balls over grounders.

Haniger to complement Leonys Martin, their outfield defense ranks with the Rays' among the league's best. Haniger demonstrated his worth in a major way Sunday, saving a game for the Mariners by making a home run-stealing catch in the eighth inning.

"We thought outfield defense would be a critical element," general manager Jerry Dipoto said. Dipoto first recognized the under-represented value of outfield defense in 2014 while serving as the GM of the Los Angeles Angels. His team finished with a major league-leading 98 wins and entered October as serious World Series favorites—only to run into the upstart Royals.

"They just dismantled us with outfield defense," Dipoto said.

Unable to afford premier free-agent talent and facing a playoff drought of close to two decades, the Royals built their roster around speed and defense, especially in the outfield.

Statistically speaking, Kansas City had the best outfield defense in the majors in 2013 and 2014, and the second-best in 2015.

"We knew it was important from Day 1," Royals general manager Dayton Moore said.

To Dipoto, none of this was a coincidence. He thinks the Royals recognized an inefficiency in the market earlier than anyone else and said "a considerable amount" of his emphasis on outfield defense was based on Kansas City's success.

The Rays took a different path. General manager Erik Neander says Tampa Bay's focus on the outfield "wasn't necessarily by design," but rather an "an opportunity to acquire players that were more foot-speed/defense/athleticism-oriented."

Whatever the case, with offenses increasingly favoring an offensive approach that prioritizes fly balls over grounders, the Rays and Mariners could have an advantage.

"I think that makes outfield defense more important," Dipoto said. "It's the right division, the right type of pitching staff, the right ballpark. It's the right environment for us to build a team that looks like that."

The question now becomes whether it will work. Despite a sweep of the Texas Rangers over the weekend, bullpen struggles have also hurt the Rays, who are 6-8 after a loss to Boston on Monday afternoon.

If the Rays and Mariners win, the value of outfield defense won't be under the radar much longer. Once everyone starts looking for those kinds of players, their prices go up, and the strategy "becomes less effective," Dipoto said.

For proof, just look to the defending World Series champions. The Chicago Cubs already had a powerhouse, winning 97 games and reaching the NLCS in 2015. Their outfield defense was only a little above average. To solve that problem, the Cubs spent \$184 million to sign free agent Jason Heyward. In November, barely after the Cubs' victory Champagne had dried, Heyward earned his fourth Gold Glove award.

At this point, the Rays and Mariners think they are in front of the trend. Because while teams might say that a run saved is the same as a run scored, most still aren't willing to invest in it.

"More than anything with the Royals and other recently successful teams, the way that they succeed isn't always in your face," Neander said. "There are different ways to win a game."

THE COUNT

WESTBROOK'S ANNOYING SHADOW

HOUSTON—The first-round NBA playoff series between the Houston Rockets and Oklahoma City Thunder—and James Harden and Russell Westbrook—was supposed to be a showdown of the game's most sublime guards. It was seized instead on Sunday by the game's most irritating guard.

It would be a nightmare for almost everybody in the NBA to be stuck guarding Westbrook for an entire postseason series. It's a dream for Patrick Beverley. This is a matchup of a player who hates to be annoyed and a player who loves to be annoying—and the proud basketball pest won Game 1.

Beverley scored 21 points and grabbed 10 rebounds in Houston's rout of Oklahoma City on Sunday, but his real value was harassing Westbrook into one of his worst performances. He did it by making it his duty to shadow Westbrook as soon as they stepped on the court.

Westbrook started walking; Beverley started walking. Westbrook stopped; Beverley stopped. Westbrook crouched; Beverley crouched. At one point Beverley was trailing Westbrook so intently

that he didn't notice he was about to run into Oklahoma City center Steven Adams's elbow. He also didn't seem to notice afterward. Beverley got up as if it never happened.

There used to be clichés for players as irksome as Beverley. They gave 110%. They sacrificed their bodies. They had noses for the ball.

Now there is data. This was the first season the NBA unveiled "hustle stats" like deflections, contested shots, charges drawn and the one metric that Beverley dominates: loose balls recovered. Beverley's rate of loose balls recovered was the highest in the league. He averaged 1.8 loose balls per 36 minutes, and there were games when the league credited him with as many as five. Beverley really is as persistent as the rest of the league suspected.

A player's rate of loose-balls recovered turns out to be a good proxy for how disruptive he is. Among the NBA's leaders in this obscure stat are savvy veteran defenders like Chris Paul and Tony Allen and eager young guards like T.J. McConnell and Yogi Ferrell. Beverley has the defensive reputation of Paul and Allen, but his

identity is more like McConnell and Ferrell's.

Beverley's only way into the NBA was being a bother. He was drafted in the second round and bounced around Europe for years before finally sticking with the Rockets as a defensive nuisance. He's even known as "Mr. 94 Feet," as in the length of the basketball court. Beverley knows how to use every inch to bug the other team.

He took one break from pestering Westbrook on Sunday to stare down a rather enormous

A Nose for the Ball

The NBA players with the highest loose-balls-recovered rate per 36 minutes this season.

PLAYER	LOOSE BALLS RECOVERED
Patrick Beverley HOU	18
Nerlens Noel PHI-DAL	17
T.J. McConnell PHI	17
Yogi Ferrell BRK-DAL	17
Mike Conley MEM	16
Rondae Hollis-Jefferson BRK	16
Stephen Curry GS	16
Chris Paul LAC	15
John Wall WAS	15
Tony Allen MEM	15

Source: NBA.com

WSJ.



Patrick Beverley defends Russell Westbrook

man sitting courtside for several tenuous seconds. This fan had four inches and 110 pounds on the professional basketball player in his face. He also had a reason to appreciate Beverley more than maybe anybody in the arena. Houston Texans star JJ Watt can see defensive ferocity when it's glaring right at him—so he obliged Beverley with the high-five he was seeking. "The guy was just absolutely killing it," Watt said.

—Ben Cohen

OPINION

Black Men Speaking Latin

Black men don't do Latin. Or do they?

It may not be surprising to learn that a charter school named Boys' Latin still offers courses in this dead language. But it is surprising to learn that this is an all-black school in an iffy part of West Philadelphia, and Latin isn't merely an option here. It's a requirement.

Turns out, too, that the young men of Boys' Latin have become pretty good at distinguishing their *ad hominem* from their *ad honorem*. This month the school received the results on the introductory level National Latin Exam, a test taken last year by students around the world. Among the highlights: Two Boys' Latin students had perfect scores; 60% of its seventh-graders were recognized for achievement, 20% for outstanding achievement; and the number of Boys' Latin students who tested above the national average doubled from the year before.

"I invite anyone who doubts what this does for our students to come to a graduation and watch 100 black boys sharply dressed in caps and gowns and proudly reciting their school pledge in Latin," says the school's chief executive officer, David Hardy. "Not only is this an unexpected sight, it defies the low

expectations society puts on young black men."

The traditional arguments for studying Latin are well known. More than half of English words have Latin roots, so students who learn Latin improve their vocabularies and linguistic skills. In addition, the discipline of studying Latin—the logic, the structure, the rigor—helps train young minds to think more clearly and systematically.

All these arguments Mr. Hardy accepts and occasionally invokes himself. But for him Latin is also a way of addressing the most wretched fact of today's Philly school system:

Only 8% of young black men who graduate from one of the city's public high schools will go on to a four-year college degree, according to a December 2015 longitudinal study called "From Diplomas to Degrees" by Drexel University's Paul Harrington and Neeta Fogg.

Now, any columnist who notes the racial disparities in education, especially when coupled with a call for the parents of poor minority children to have more options when it comes to schools, invariably receives mail that begins like this: "I have been an educator in the public schools for more than 20 years, and you are badly underestimating the reason [bad families, poverty, IQ, whatever] these kids aren't learning."

Translation: Black children, or at least inner-city black children, are ineducable. Needless to say, Mr. Hardy and his merry band at Boys' Latin hold

a contrary view. In February they helped launch a campaign called #blackdegreesmatter to highlight why college, and the higher lifetime earnings it generally brings, is so vital for young black men.

It's true Boys' Latin is filled with all the challenges that come with West Philadelphia: neighborhood drug dealers,

A dead language helps forge identity and *esprit de corps*, like boot camp for Marines.

gangs, struggling single moms. You name it, Mr. Hardy says, Boys' Latin has got it. The difference is the school refuses to accept it as an excuse for not achieving.

Why Latin? Partly it's that the language immediately raises expectations all around. You can't fake Latin, either. When these boys learn it, they taste the satisfaction that comes from achievement.

Partly it's the school's thing. Even if students hate Latin, says Mr. Hardy—maybe especially if they hate it—it's something everyone at Boys' Latin goes through, what boot camp at Parris Island is for Marines. It builds identity and *esprit de corps*.

It's also what helps make Boys' Latin attractive to the Philadelphia School Partnership, an influential group of donors whose mission is to get more of the city's kids into

great schools—and put more on the path to college. Since 2011, these men and women have spent nearly \$60 million in private funding to help thousands of low-income students attend schools such as Boys' Latin.

As long as the school is doing great things, folks at the Philadelphia School Partnership don't care whether the institution they are supporting is a traditional public school, a charter school or a private school. When they look at Boys' Latin, for example, what they see is this: a high school that sends more black boys to college than any other in Philly—and has a waiting list to get in.

Boys' Latin is not without its critics, who point to so-so scores on state tests. Mr. Hardy argues that the scores, which have been rising, are still better than the alternatives for most young men in West Philly. For him the most important measure is that his students are getting their college degrees.

Young black males, Mr. Hardy says, get plenty of messages that they are not good enough, that excellence is beyond their reach and that college is for other people. The beauty of Boys' Latin is that every day its students see examples of young black men challenging the reigning tropes of underachievement.

"Nobody expects black boys to do Latin, because it's hard," says Mr. Hardy. "And that's exactly why we do it."

Write to mcgurn@wsj.com.

France Heads for a Dreadful Choice

By Jeremy Black

Do you fancy retirement at 60, a guaranteed income, a short work-week, and the abolition of fear about the future? Well, move to France and choose among the 11 candidates for the presidency.

Most of the outside world is worried about Marine Le Pen and her National Front, especially in light of her recent demand that France be absolved of responsibility for the deportation of Jews to Nazi death camps because the country was under German occupation. (For the record, the wartime French authorities were complicit.)

But focusing on Ms. Le Pen means playing down the problems posed by the other available choices. She may place ahead of the field in the first round of the election Sunday and is likely, at any rate, to be one of the two candidates that go forward to the second round, on May 7.

But the conventional assumption is that the French vote for their favorite candidate in the first round and, having done so, vote for anyone in the second who will block their least favorite. That process stopped Marine's father, Jean-Marie Le Pen, in 2002, when he lost to Jacques Chirac 82% to 18%. Those on the left were willing to vote for the Gaullist in order to defeat Mr. Le Pen.

The expectation has been that this process will deliver

victory to Emmanuel Macron, the center-left candidate, a former economics minister in François Hollande's lackluster (to be polite) Socialist government. Mr. Macron is a Tony Blair-like character, strong on talk of renewal and weak on details or policies. In practice, he is part of what ails France—a range of candidates who do not want

The world rightly worries about Le Pen, but leftist populism is dangerous too.

to explain to the electorate that the world does not owe them a living. François Fillon, the conventional-right candidate, made moves in that direction but has been sunk by scandals about paying his family from public funds.

That leaves Mr. Macron, Ms. Le Pen and the far-left Jean-Luc Mélenchon as the front-runners. None of them have explained how they will get France to work. Ms. Le Pen and Mr. Mélenchon both promise to reduce the retirement age to 60 from 62. In a country that already protects workers' rights, they want to provide more protection and bigger pensions. They promise to tax, spend and oppose multinationals and "globalization."

Polls suggest widespread support for these views, whatever the psephology that

delivers the presidential result this year. Just as British politicians cannot touch the sacred cow of the National Health Service, their French counterparts are encouraging a flight from reality that began many years ago.

That poses dangers for France and the European Union. Similarly foolish policies—state control, redistributive taxation and social management—failed under François Mitterrand in 1981-83.

That led his minister of economy and finance, Jacques Delors, to become president of the European Commission in 1985 and push through similar policies at the European level. Given the hostility in many EU states to whatever can be decried as "austerity," the renewal of this theme in France bodes ill for fiscal responsibility across the Continent.

France's position within NATO may also come into question. Paris has been stalwart in its opposition to Islamist groups in Northwest Africa, but both Ms. Le Pen and Mr. Mélenchon have tilted toward Vladimir Putin, using their countrymen's disdain for President Trump as an excuse.

More generally, the French election underlines the extent to which the traditional parties of the right are challenged by current developments, a situation seen in 2016 in the American primaries and in former Prime Minister David Cameron's Brexit defeat. At the same

time, the left and the far right encourage the electorate not to ask hard questions about economic growth and social welfare. The principal difference between left and far right rests on competing accounts of national identity and interest. In France, as so often elsewhere, the left does not really offer a convincing version of either, while that of the far right is divisive and backward-looking.

For the conventional European right, the French election throws up serious questions of relevance and popularity, and that in a society in which so many wish to retire early and grumble. An inability to face up to their political situation is part of this malaise.

The focus on Brexit has distracted attention from the EU's fundamental crisis, posed by a rejection of economic literacy. There is a strong danger of populist swings around the left or the far right, and a challenge both to business and to international commitments. The pro-business moderate right is too weak, and the rest are too antibusiness.

A defeat for Ms. Le Pen appears likely. That would be welcome, but it should not detract from the broader failures of a corporatist social-welfare model that has already done great harm to France and the EU.

Mr. Black's books include "Europe Since the Seventies" (Reaktion, 2009).

Avoid the Crony-Capitalist Temptation

By Stanley A. Weiss

The White House announced last month that it would establish a new Office of American Innovation, led by Jared Kushner, to work with business leaders on making government more effective. Skeptics immediately panned the initiative, arguing that it was only the latest attempt in a long history of ineffectively trying to apply business smarts to government. All this reminded me of an encounter I had with then-Sen. Sam Nunn in 1984.

I met with Mr. Nunn to discuss my work with the nonpartisan group Business Executives for National Security, which I had founded two years earlier. The senator and I talked about nuclear nonproliferation and Pentagon spending. Afterward, he noticed something missing. "Mr. Weiss," I recall him saying, "you are the first businessman who ever

came to see me who wasn't asking for something for himself or his business!"

That should be a lesson for Mr. Kushner. If he pursues practical solutions to tough problems—and prevents the new office from becoming a

The new Office of American Innovation could do a lot of good.

venue for crony capitalism—he could implement reforms that would help millions of people. Here are three pieces of advice to keep the Office of American Innovation on the right track.

First, find a broad purpose and stick to it. If business executives participate only because they believe they can get something for their companies, the new office will be useless. The success of Mr.

Kushner's group will depend on rejecting this sort of transactional politics and finding a clear agenda.

Second, empower problem-solvers whose practical ideas transcend political ideology—and actually listen to them. As the Cold War was ending, the process for closing redundant U.S. military bases was self-evidently broken. Bill Tremayne, a board member of Business Executives for National Security, had an idea: Cut pork-barrel politics out of the process by forming an independent commission. The group would recommend certain bases for closure, and Congress would then vote on them as an entire package. That became the prevailing process for base realignment and closure between 1988 and 2005.

Third, seek to build bridges in ways that defy conventional wisdom. Mr. Kushner should never underestimate the power of business to create ties where others have failed. In 1997 a delegation from Business Executives for National Security visited India and built relationships with senior officials there. These connections went on to play a role in Bill Clinton's becoming the first American president to visit India since Jimmy Carter.

Business is not government, and not every idea that works for one part of the economy will work in the other. Yet the U.S. will always need people who understand how to do things that government officials and policy wonks can't. That's the tradition Mr. Kushner should seek to build on, and I hope he succeeds.

Mr. Weiss, founder of Business Executives for National Security, is the author of "Being Dead Is Bad for Business" (Disruption, 2017).

BOOKSHELF | By Barton Swaim

Hillary The Unready

Shattered: Inside Hillary Clinton's Doomed Campaign

By Jonathan Allen and Amie Parnes
(Crown, 464 pages, \$28)

This is too easy," Barack Obama is recorded as saying in "Shattered," an exhaustive account of Hillary Clinton's ill-fated 2016 presidential campaign. The president had just delivered a well-received speech in praise of Mrs. Clinton's candidacy; both Mr. Obama and Mrs. Clinton had derided Donald Trump, the Republican nominee, as a malignant nincompoop. John Podesta, the Clinton campaign's chairman, looked at the president doubtfully. Too easy? "All right, all right, all right," Mr. Obama playfully conceded. "There's just so much material."

The remark nicely captures the attitude not just of the Clinton campaign but of almost the entire Democratic establishment in the months before the election. "Shattered," by campaign reporters Jonathan Allen and Amie Parnes, narrates the petty bickering, foolish reasoning and sheer arrogance of a

campaign that was never the sure thing that its leader and top staffers assumed. The authors, in a mostly successful attempt to get their sources to talk candidly, promised them that they wouldn't be identified. That's more or less the method behind other hefty "insider" accounts of politicians and campaigns in recent years, especially "Game Change" (2010) and "Double Down" (2013), both by Mark Halperin and John Heilemann, as well as Ms. Parnes and Mr. Allen's own "HRC" (2014). (Messrs. Halperin and Heilemann will have their own account of the 2016 campaign coming next year.) The juicy quotes would mean more if they were on the record, but mostly it works: You can't pinpoint the identity of any one "top aide" or "close Hillary ally," but the authors' language leads you to believe they include the most senior Clinton advisers—Mr. Podesta, longtime Clinton confidante Huma Abedin, campaign manager Robby Mook, speechwriter Dan Schwerin, policy adviser Jake Sullivan—and probably the candidate herself.

For those few unhappy addicts who wish to relive the 2016 presidential campaign so soon, "Shattered" offers a number of gratifying revelations. Among them: Mrs. Clinton's tinkering with a certain computer server. Not that server—a different one. After losing to Mr. Obama in the protracted 2008 primary, she was convinced that she had lost because some staffers—she wasn't sure who—had been disloyal. So she "instructed a trusted aide to access the campaign's server and download the [email] messages sent and received by top staffers." This tells us, first, that Mrs. Clinton possesses an almost Nixonian paranoia about treachery and, second, that her use of a private email server at the State Department was never the naive "mistake" she pretended it was. In fact, she didn't want anyone reading her emails the way she was reading those of her 2008 staffers.

When staffers questioned campaign manager Robby Mook, the same response always came back: 'The data run counter to your anecdotes.'

Mr. Allen and Ms. Parnes stress two essential failures of the campaign, the first structural, the second political. The campaign's command structure, the authors write, was an "unholy mess, fraught with tangled lines of authority, petty jealousies, distorted priorities, and no sense of greater purpose." Mrs. Clinton herself was inaccessible to almost everyone but Ms. Abedin, whose role was never clarified, so top staffers broke off into mutually mistrustful tribes: the campaign data analysts, Mrs. Clinton's State Department coterie, Clinton Foundation staff, and the enthusiasts associated with the Ready for Hillary super-PAC.

This diffuse command structure was a consequence, the authors suggest, of the fact that Mrs. Clinton didn't know why she wanted to be president. At one point no fewer than 10 senior aides were working on her campaign announcement speech; not one had a clear understanding of why Americans should cast their votes for Mrs. Clinton and not someone else. The speech, when she finally delivered it, was a flop—aimless, boring, devoid of much beyond bromides. (Compare that to Donald Trump's announcement: disjointed, funny, written by no one—but the speaker knew why he wanted to be president and wanted you to know why, too.)

The Clinton campaign's other failure was rooted in a mistaken assumption about the nature of politics. The campaign relied too much on analyzing data and too little on getting the candidate in touch with actual people. Mrs. Clinton's young staffers came of age during Barack Obama's campaigns and thought they'd mastered the art of electoral politics. They failed to realize that Mr. Obama won for a variety of sociological and political reasons that had nothing to do with his campaign's analysis of data. Successful politicians must have a tacit sense of what voters want to hear and how they might be persuaded. Mrs. Clinton—in stark contrast to her husband—was never interested in that component of campaigning. You got the feeling she didn't like people all that much.

Mr. Mook's scientific "model" of how the campaign should run emphasized demographics, constituents' voting histories, regional electoral patterns, and so on. When staffers objected to his directives, the authors record, the response was always the same: "The data," as Mr. Mook at one point put it to former President Bill Clinton, "run counter to your anecdotes." So, for instance, when campaign staffers discussed ideal locations for Mrs. Clinton's first appearance with President Obama, several aides suggested Green Bay, Wis. Mr. Mook objected on the specious grounds that "voters there wanted change and Obama's presence would suggest to voters that Hillary was running for his third term." Of course, if the campaign had scheduled the event for Green Bay, Mrs. Clinton might have visited Wisconsin at least once. But she never went there, and Donald Trump won the state by less than 1%.

Such insights aside, "Shattered" is not a pleasure to read. The authors seem incapable of conveying a thought without the use of some tired metaphor or idiom, often two or three within the same sentence. Mrs. Clinton's "clear, dead aim was to box Biden out." Bernie Sanders "had flown in from off the political radar screen." The book is also too long: 400 pages of Clintonian self-aggrandizement, campaign malpractice and passive-aggressive blame-shifting are more than any ordinary reader can bear. Then again, there's just so much material.

Mr. Swaim is the author of "The Speechwriter: A Brief Education in Politics."

OPINION

REVIEW & OUTLOOK

Trump's Deregulation Project

Health reform may be on life support and tax reform uncertain, but one part of the Donald Trump economic growth project is succeeding: deregulation. The question is whether the President will now rev up the effort.

President Trump last week signed the 13th bill repealing regulations through a potent tool called the Congressional Review Act (CRA), which allows Congress to reject rules in a majority vote within 60 legislative days of publication. The 1996 law had previously been used only once, when Congress and George W. Bush nixed an ergonomics directive from the Occupational Safety and Health Administration. Two other repeal resolutions have passed the House and are pending in the Senate.

The list of rejects includes the Interior Department's Stream Protection Rule, which would have eliminated a third of coal-industry jobs and usurped state authority over mining, for little environmental improvement. Awaiting Senate repeal is the Bureau of Land Management's venting and flaring rule for natural-gas fracking. That aimed to reduce methane emissions, though they have already dropped more than 15% since 1990 even as U.S. energy exploration has doubled in a decade.

Other worthy targets: A Federal Communications Commission regulation that would have forced Comcast to abide by consumer privacy standards that Amazon and Google could ignore. Sen. Ben Sasse (R., Neb.) moved a bill to deep-six a teacher training mandate that features incentives for teachers to avoid struggling schools that need talented instruction most. The left is spreading panic about potential sludge rivers or killer toys, but these reversals merely restore the status quo of six months ago.

Congressional Review actions do not include Mr. Trump's executive orders, which have directed agencies to reconsider the trillion-dollar Clean Power Plan, the Labor Department's financial advice diktat known as the fiduciary rule, among many others.

Then there are the rules that agencies have delayed and may eventually scrap, from micro-managing ceiling fan efficiency to organic farming standards. Sam Batkins at the American Action Forum estimates that 15 delayed rules alone would require 10 million hours of paperwork. That time could be devoted to activities that produce wealth and innovation, and the main losers

Thirteen Obama rules are gone so far, but there's much more to do.

would be compliance lawyers.

The White House and Senate Republicans have said the 60-day review period for Congressional Review Act measures will end next month. But our colleague Kimberley Strassel has explained how the law applies to past rules that agencies failed to report to Congress as required. The same is true for

"guidance" letters, such as the Education Department's sexual assault "Dear Colleague," that were imposed with the force of law without having to go through a public comment period.

The Administration could require agencies to work up lists of rules that were not properly reported, and send them up for rejection. Bonus: If Congress disproves a rule, the CRA stipulates that an agency cannot issue the same regulation again. That is much more powerful than perennial blue-ribbon regulatory commissions or a pledge to identify two old regulations to replace for every new one, which usually achieve less than advertised.

The minds behind this interpretation are the Heritage Foundation's Paul Larkin and the Pacific Legal Foundation's Todd Gaziano, who helped write the CRA. They are combing federal records for potential candidates. There appear to be hundreds, and here's an example: The EPA's interpretation of the Supreme Court's *Rapanos* opinion in its waters of the U.S. rule, which has let the agency pummel property owners with tenuous claims about drainage into navigable waters.

Some Republicans may want to move on to other legislative priorities, and floor time is limited. But agencies could report a handful of rules at a time so as not to swamp the House and Senate as they consider the budget or Mr. Trump's nominees.

Democrats will inevitably protest, but the point of the review act was to create an accountability mechanism for agencies that refuse to follow the law. And as with so much lately, Democrats can thank former Senate Majority Leader Harry Reid, who helped create the law and took credit for its passage in his farewell remarks last year.

Many Republicans campaign against regulations but then merely pump out rules at a slightly slower pace. So far the Trump Administration is a welcome improvement, rolling back more regulations than any President in history. Now we will see if he's willing to deploy the full power of the law.

Erdogan's Tainted Triumph

Sunday's referendum to expand his presidential powers didn't go as Turkey's Recep Tayyip Erdogan had planned. The Islamist strongman had hoped for a rousing endorsement, but he won narrowly amid voting irregularities that will taint his victory. The result leaves Turkish society even more polarized and may produce more instability.

The pro-Erdogan camp won a mere 51.2% of the vote, according to the state-run news agency. More telling is that the referendum lost in Turkey's urban areas, including Ankara and even Istanbul, where Mr. Erdogan was mayor. The country's election board made a last-minute decision to accept ballots that didn't bear official stamps normally required to validate ballots. The secular Republican People's Party said that move and other verification problems cast doubt on the validity of some 2.5 million ballots.

Observers with the Council of Europe and the Organization for Security and Cooperation in Europe criticized the election board's decision. They also noted that civil-society groups

His narrow victory is marred by invalid ballots and other abuses.

had been barred from holding campaign events, and Mr. Erdogan's camp dominated the media. All of this occurred amid Mr. Erdogan's crackdown on political opponents, journalists and independent judges since last July's failed coup against him.

The opposition says it will formally challenge the result, but overturning it is unlikely

given Mr. Erdogan's control over public institutions. Barring a Turkish Spring uprising, Mr. Erdogan will consolidate even more power in the office of the president. The referendum would allow the 63-year-old to remain as president through 2029, and perhaps 2034.

All of this will complicate Turkey's relations with the West, as Mr. Erdogan advances his Vladimir Putin-like control. The U.S. will have to work with its NATO ally. But without more evidence the U.S. should resist demands to extradite Fethullah Gülen, the Pennsylvania-based imam Mr. Erdogan accuses of masterminding the summer putsch. Mr. Erdogan has staged his own internal coup by abusing the levers of democracy to create an Islamist authoritarian state.

Do Agencies Have to Follow the Law?

There's nothing like an unappealing plaintiff to make bad law, and on Tuesday the Supreme Court will hear arguments in a classic of the genre. The Justices will consider whether a government agency can force someone to disgorge ill-gotten gains long after the statute of limitations has lapsed.

Charles Kokesh was found guilty in 2014 of skimming and misusing \$34.9 million from the investment funds he managed between 1995 and 2006. Among other things, the jury in the civil enforcement action ruled that Mr. Kokesh had filed false statements with the Securities and Exchange Commission and defrauded the funds.

The SEC demanded that Mr. Kokesh disgorge the illegal gains and interest and pay a more than \$2.3 million monetary penalty (*Kokesh v. SEC*). The district court granted the judgment and the Tenth Circuit Court of Appeals upheld the verdict, ruling that the disgorgement was proper despite being outside the statute of limitations because it didn't count as a punishment or penalty under the law.

Under 28 U.S.C. §2462, "Except as otherwise provided by Act of Congress, an action, suit or proceeding for the enforcement of any civil fine, penalty, or forfeiture, pecuniary or otherwise, shall not be entertained unless commenced within five years." Typically, forfeiture describes when the government seizes assets that are part of a crime, a description that would seem to include the disgorgement applied to Mr. Kokesh.

But the Tenth Circuit ruled that disgorge-

The Supremes hear a bellwether statute of limitations case.

ment didn't fit under the definition of forfeiture because the practice of disgorgement began in the 1970s and didn't exist when section 2462 was written.

Some \$30 million of the money demanded by the SEC was for actions outside the five-year mark and some as long as 14 years before the suit was filed.

That's the kind of loophole government agencies love, and in recent years federal agencies have adopted disgorgement as a money machine, typically bringing sums much higher than statutory penalties. In 2015 the SEC collected some \$3 billion in disgorgement cash compared to a mere \$1.2 billion in civil penalties. The Federal Trade Commission and Consumer Financial Protection Bureau have also become disgorgement experts to defeat statutes of limitations.

The SEC says disgorgement sends a "clear message" that wrongdoers face monetary consequences. But that sure sounds like it's a "penalty" under the law and thus should be subject to the statute of limitations. As it happens, disgorgement funds typically go to the coffers of the enforcement agency, not to the victims of fraud.

The feds are watching this case closely because an SEC victory will mean they could bring disgorgement claims against defendants without time limit, with billions of dollars at stake even as older evidence makes it harder for the accused to defend themselves. Mr. Kokesh isn't a model citizen, but if the government can use lawless tactics against him, he won't be the only target.

OPINION

LETTERS TO THE EDITOR

California's Winter Rains Have Come, Gone

Regarding your editorial "California's Wasted Winter Rains" (April 6): I confess to being one of those inconsiderate "greens" accused in the editorial, having been one of the founding members of the Sierra Club in New England and a planner of the first Earth Day in Cambridge, Mass.

As a northern Californian, I've watched water politics with dismay for decades. The powerful voting bloc in the south of our state has taken control of northern waters. During the drought we were forbidden to water our landscaping, while developers in the south continued to add artificial lakes and big grassy lawns to their projects. Cosmetic concerns like these are superficial. The damage to the biosphere, particularly the extinction of species, is quite another matter.

CATHERINE J.J. DEMAUR

Folsom, Calif.

Your editorial only briefly mentions the impact on "low-income and Hispanic communities like Merced." The damage statewide should be reported by the numbers of lost jobs and lost business leading to broken homes, crime increases, hospitalizations related to substance abuse, etc.

There is a huge human toll to go along with the devastating economic impact on farmers, homeowners and businesses that need adequate water.

The environmental activists have their priorities misplaced.

LON H. RECORDS

North Tustin, Calif.

Expensive new dams and reservoirs aren't the solution to California's water problems. Better management of existing reservoirs in conjunction with groundwater banking is a more economical way to store water during wet periods for use during dry periods. Opportunities for re-

WM. ROBERT IRVIN
President and CEO
American Rivers
Washington

I find it ironic and pathetic that the same California policy makers who pound their chests about the rights of "undocumented immigrants" starve the employers of those same individuals of much-needed water.

RANDY KELLY
Cardiff-by-the-Sea, Calif.

False environmentalism and bad planning are indeed jeopardizing the future of America's most productive farmlands. Seawater intrusion from the San Francisco Bay to the San Joaquin Valley is polluting ground water supplies. Farmers and cities deprived of surface water have drawn down water tables to dangerous levels. Salt water is intruding inland to fill the void, causing permanent damage to aquifers.

RAYMOND VAN BUSKIRK
Spring, Texas

A Swedish Blacklist Finds the Perfect Victim

Regarding Sohrab Ahmari's "Sweden Blacklists an Antiabortion Midwife" (op-ed, April 10): In his theory of violence, René Girard (1923-2015) says the unanimity of the crowd transfers their societal sins on a single victim, or a scapegoat, and then lynches or exiles their victim, thereby restoring order and harmony to the group. It is popular to obtain this status of victimhood.

The midwife in this case is the perfect scapegoat, one in whom the Swedes around her can attack for her sin of voicing a countercultural opinion. She has essentially had her career murdered and peer-pressured into "expelling" or banishing herself from the country by moving to Norway.

The second scapegoat is the unborn child, voiceless and readily available to bear the sins of society,

especially the sins of restraining "choice," and being an overall inconvenience and burden to the mother. In ancient Rome, the father had the complete "right" of life or death over every member in his household, including newly born children. In our time, it is now the mother who has this complete "right" over her household, in this case her body, and this right triumphs over any outlier voice like that of the midwife, or other voices with pesky religious and moral qualms.

It will be interesting to watch Sweden in the future, considering that they have another group claiming victim status: the new Muslim immigration population. This population has a very different perspective on abortion than the secular Swede.

KRISTIN A. VARGAS
Fort Worth, Texas

Sneaking Capitalism in to Its Beneficiaries

If the professors who caused the meltdown at Wake Forest ("An Anti-Koch Meltdown at Wake Forest" by Naomi Schaefer Riley, op-ed, April 7) were cast in a drama, it would be classed under "tragedy." The plot to "UnKoch My Campus" is tragic in the sense that the players have ignored John Stuart Mill's warning that "all silencing of discussion is an assumption of infallibility"—and tragic in the sense that an air of infallibility no doubt pervades the classroom as well.

But when professors express contempt for capitalists—from a safe perch secured for them by capitalist largess—their plot descends into low comedy. Before my alma mater becomes the laughingstock of reasonable people everywhere, I hope that President Nathan O. Hatch will rethink his position (Letters, April 12) and move to Un-Joke My Campus.

NAN MILLER, '64

Raleigh, N.C.

Two faculty committees at Wake Forest University have concluded

that the Eudaimonia Institute is unacceptable on a university campus because, according to Ms. Riley's summary, it "is really a way of sneaking capitalist ideas into the university." I am married to a professor of economics who has been happily and openly presenting capitalist ideas to undergraduates for more than 35 years in his Principles of Economics courses. I better warn him to get sneaky.

CHERYL L. THOMAS
Columbia, Mo.

The Establishment Gets No Credit for Justice Gorsuch

Regarding your editorial "In Praise of the Establishment" (April 11): If we depended on the establishment, Jeb Bush would have been the Republican Party candidate, and Hillary Clinton would have selected the new Supreme Court justice. The selection and swearing in of Justice Neil Gorsuch should be totally credited to President Donald J. Trump, not to the establishment.

RICHARD H. SHAPS
Fort Myers, Fla.

Pepper ... And Salt

THE WALL STREET JOURNAL

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JOHN TRICKETT

Charleston, Ark.

OPINION

Why Trump Might Win With China

By Charles W. Calomiris

In its first months, the Trump administration has pivoted on trade, backing off from threats to overhaul the North American Free Trade Agreement and reversing Mr. Trump's campaign pledge to label China a currency manipulator. Those changes are welcome, but in an interview last week with The Wall Street Journal, the president went further, saying that he might soften his trade stance in exchange for help with "the problem in North Korea."

Mr. Trump may be ceding too much ground. In fact, he may have more leverage over China than he thinks.

Beijing may be ready to deal as it eyes slowing growth, a weakening yuan and other challenges.

Claims that Beijing manipulates the value of the yuan never made much sense as an explanation for Chinese growth or for the persistent U.S. trade deficit with China. First, it's impossible for monetary policy (including exchange-rate policy) to produce long-run growth or trade consequences. This principle of long-run "monetary neutrality" is one of the few tenets of economics that is nearly universally accepted.

Second, the facts show that the Chinese government has not been

trying to keep its currency weak. The opposite is true. The yuan appreciated 26% from 1995 to 2014. And China's "real exchange rate" (which captures the relative competitiveness of the prices of goods sold by China and its competitors) increased even more, 53% over the same period.

When a country's real exchange rate appreciates, economists understand it as reflecting high productivity growth. This is called the Harrod-Balassa-Samuelson effect. Circa 1978, China's total factor productivity—a measure of how much value an economy adds to a basket of inputs—stood at roughly 3% of America's. Starting from that very low efficiency, China was able to improve quickly for more than three decades by removing some of the limits that the Communist government had placed on markets. Today China's total factor productivity stands at about 13% of America's.

Lifting restrictions on market transactions has propelled China's growing share of world exports and foreign direct investment in recent decades. China has also kept its tariffs relatively high, and government policies favor domestic producers while limiting the ability of foreigners to compete, factors that boost its trade surplus.

Since 2015 China's currency has depreciated, but Beijing has tried to limit this weakening, partly with an eye toward the possibility of a political backlash in the U.S. Last Thursday, for example, government intervention in the foreign-exchange market raised the value of the yuan 1%.

Despite such interventions, it will be hard for the government to resist yuan depreciation. The weakening reflects a long-term growth slowdown—the natural diminishing returns of economic development. Autocracy contributes to China's financial fragility. As Minxin Pei predicted in his 2006 book, "China's Trapped Transition," the Communist Party ensures its survival by propping up inefficient state-owned enterprises that fund its operations. The financial system cannot truly liberalize because it must remain an instrument for channeling credit subsidies to these firms.

Moreover, as the Chinese economy cooled off over the past decade, the government juiced growth with high spending, especially on buildings and infrastructure. These investments were also mainly



REUTERS

Presidents Xi Jinping and Donald Trump at Mar-a-Lago in Florida, April 6.

funded with debt guaranteed, explicitly or implicitly, by the state. China's combined household, government and nonfinancial corporate debt now stands at roughly 2.5 times gross domestic product. In 1999, China paid off its banks' bad debts, but since then a combination of slow growth and high borrowing imply a nonperforming debt bill of about \$3 trillion—10 times the cost of the 1999 bailout. The likely path of least resistance would be for China to let inflation solve some of the problem.

In any case, a combination of slower growth, debt defaults and inflation will continue to weaken the yuan and reduce capital inflows. Foreign reserves, which grew for decades, have declined since 2014. The Chinese elite are cognizant of these problems, hence

their increasingly desperate attempts to smuggle wealth out of the country.

In this environment, the Chinese regime could fracture or lose popularity. That is a scary prospect for Beijing, which already faces other major challenges, such as an aging population, a lack of pension funding to support the elderly, and life-threatening levels of pollution. Despite the regime's autocratic nature, protests directed at its shortcomings are becoming common. The government is not immune to public pressures.

Negotiations between China and the U.S., which are now beginning in earnest after the uneventful retreat at Mar-a-Lago, may actually bear fruit. Chinese leaders cannot afford a significant drop in exports to the U.S., which would be interpreted at home and abroad as evidence that the bellicose American president got the better of them.

Mr. Trump has been dealt a stronger hand than he could have asked for on trade with China, which has more incentive to negotiate than ever. He should walk away with a better deal from Beijing than any of his predecessors were able to extract. Mr. Trump may even be able to make progress on geopolitical issues, such as limiting China's military adventures in international waters and securing its help on North Korea.

If he plays his cards right.

Mr. Calomiris is a professor of financial institutions at Columbia Business School and a fellow of the Manhattan Institute.

Complexity Is the Root of All Evil (at Least in the Tax Code)

By Nina E. Olson

As the national taxpayer advocate, I oversee an independent unit within the Internal Revenue Service that has helped more than four million individual and business taxpayers resolve their IRS account problems, and I am required to report to Congress annually on the most serious problems encountered by U.S. taxpayers.

If I had to distill everything I've learned into one sentence, it would be this: The root of all evil is the complexity of the tax code.

There is currently considerable support in Congress to take up corporate tax reform, and corporate reform is certainly needed. But I urge policy makers to remember that, as compared with about two million taxable corporations, there are 151 million individual taxpayers, including 27 million who report sole-proprietor or farm business income with their individual returns. There are also nearly nine million pass-through entities (S corporations and partnerships), the income from which is reported on individual income-tax returns. These taxpayers desperately need relief from

the extraordinary compliance burdens the tax code imposes.

I have long believed comprehensive tax simplification is achievable by following the model of the landmark Tax Reform Act of 1986. Skeptics point out that asking taxpayers to give up tax breaks from which they currently benefit will generate pushback, and that's certainly true. But if policy makers pair substantial reductions in tax expenditures with substantial reductions in tax rates, and maintain current tax-burden levels by income decile, I believe taxpayers will appreciate that their tax burdens on average won't change much—and they will actually end up better off because they will save money on compliance costs. That approach prevailed 30 years ago, and despite some significant differences in circumstances, it could prevail again today.

I recommend that policy makers consider the following core principles in developing tax-reform legislation:

First, the tax system should not be so complex as to create traps for the unwary.

Second, the tax laws should be simple enough so that most taxpayers can prepare their own returns

and compute their tax liabilities on a single form, and simple enough so that IRS customer-service personnel can accurately answer taxpayers' questions over the phone.

Third, the tax laws should anticipate the largest areas of noncompliance and minimize the opportunities for such noncompliance.

As Congress takes up reform, it should consider radically simplifying the rules for individuals.

Fourth, the tax laws should provide some choices, but not too many, since choices can be confusing and lead to taxpayer errors.

Fifth, when the tax laws provide for refundable credits, they should be designed in a way that is minimally burdensome both for the taxpayers claiming the credits and for the IRS in administering them.

Sixth, the law should incorporate a mandatory periodic review of the tax code—a sanity check to guard against creeping complexity.

If policy makers decide comprehensive simplification is too heavy of a lift, there are still many steps Congress could take to simplify the tax code in smaller bites. Among them:

Consolidate and simplify the six "family status" provisions in tax code. These include filing status, personal and dependency exemptions, the child tax credit, the earned-income tax credit, the child- and dependent-care credit, and the separated spouse rule. Every individual taxpayer is affected by at least two of these provisions, and many taxpayers are affected by five. I have proposed a family credit and a worker credit to replace them, which would have the added benefit of reducing improper EITC payments.

Simplify other provisions that govern taxation of the family unit, including "joint and several liability" and the "kiddie tax."

Consolidate the incentives that encourage savings for education. There are now at least 12—far too many for most parents and students to make an informed choice.

Consolidate the incentives that encourage savings for retirement. There are now at least 15—again, far too many.

Reduce procedural incentives for Congress to use tax "sunsets." More than 70 provisions currently in the tax code are temporary and require periodic renewal.

Minimize income phase-outs, which affect roughly half of all returns each year. They introduce inflated marginal "rate bubbles" and add considerable complexity to tax computations.

Streamline the penalty regime. In 1955, there were 14 civil penalties in the tax code. Today, there are more than 170, many of which are rarely assessed.

U.S. taxpayers have been struggling under the weight of the current tax code for far too long. The Bush and Obama administrations both produced reports with many good simplification proposals, as have the House Ways and Means and Senate Finance committees and others. There is no shortage of good ideas. Now is the time for the administration and Congress to seize the moment and finally, this year, carry tax reform across the goal line.

Ms. Olson has served as the national taxpayer advocate since 2001.

Trump Is Easy to Typecast. Why Is Hollywood Having Such Trouble?

By Rod Pennington

There's an old saying that "Washington is Hollywood for ugly people." While both places are heavily populated by left-leaning kindred spirits with massive egos and ambitions, the folks on the left coast clearly do have better fashion sense.

It is baffling that spin doctors in both Hollywood and the Democratic Party are having trouble coming up with a storyline that can put a dent in President Trump's mystique. How can this be so hard? Mr. Trump could be cast in at least one of three villainous archetypal roles that have been the backbone of Hollywood for nearly a century.

First, he's a rich, white businessman. From Lionel Barrymore as Mr. Potter in "It's a Wonderful Life" to the antagonist in "The Big Short," the stereotype has made Hollywood

money for eons. If they ever remade "Goldfinger," Mr. Trump could play the title role; he certainly has the hair for it.

Mr. Trump could also excel as a high-maintenance diva. Like any good diva, his shortcomings are overlooked because he has the ability to command the attention of a large room and amass loyal followers. Unfortunately, he also bears the curse of the diva: His entire universe revolves around Donald Trump. Dis him, and you'll feel his Twitter wrath. His mercurial temperament and thin skin make every day a new and potentially dark drama.

Lastly, Mr. Trump could fit into the bumbling, in-over-his-head Louis XVI archetype who, against all logic and common sense, becomes powerful. He could easily be molded to the role of witless and inbred European royalty or the titled and moneyed villains in a Jane Austen novel. The people

around him are already straight from central casting. He has an exotic wife with a strange accent, a glamorous daughter with a shadowy husband—both whispering in his ear—and a stream of ex-wives and lovers spanning decades. Plus, Steve Bannon could be cast as either Rasputin or Cardinal Richelieu.

So, how did Mr. Trump win the presidency? Maybe the American public saw him as Peter Finch from "Network": "I'm mad as hell and I'm not going to take this anymore." Or maybe he won because he was running against an archetype even less appealing than his own. Hillary Clinton is a dead ringer for Norma Desmond, the delusional silent movie star from "Sunset Boulevard" whom time had passed by. William Holden: "You used to be big." Gloria Swanson: "I am big. It's the pictures that got small."

So far Hollywood and the Democrats have picked awful storylines to try pigeonholing Mr. Trump. Their current heroes are the clear-eyed social warriors and sanctuary-city guardians who are accusing the

president of being a racist xenophobe. What's Mr. Trump's crime? He wants to send illegal immigrants, some of them felons, back to their home countries, and to build a wall to keep them out. Gasp, what a scoundrel! This storyline is hardly convincing.

Villain? Diva? Bumbler? Entertainers and other Democrats can't seem to make up their minds.

Mr. Trump's adversaries also wishfully believe the so-called Russian connection will bring him down. But so far they've found nothing to drive the suspense, and the audience is starting to fidget in their seats the same way they do in the third hour of a "Lord of the Rings" movie. Plus, the deeper they dig, the worse the Democrats look. Susan Rice's "unmasking" of members of Mr. Trump's inner circle, then telling the public it

wasn't political, didn't go over too well. John Podesta fell for a doozy email phishing scheme. These are your good guys?

Yet while this entire Russian investigation is starting to develop an Inspector Clouseau feel, President Trump shouldn't get too comfortable. So far he has been able to tweet out enough nonsense to keep the left and the media scrambling.

But if Hollywood writers and the Democratic establishment ever regain their footing and start telling sob stories about little old ladies being evicted to make room for cheesy casinos, like the ad put out by the Cruz campaign last election, Mr. Trump had better be ready to respond. If he isn't, it won't take long before he morphs into the vile and heartless Gordon Gekko from "Wall Street" where "greed is good," and the seemingly invincible USS Donald Trump starts sinking like the *Titanic*.

Mr. Pennington is a novelist and screenwriter living in Jackson Hole, Wyo.

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Mike Ludwig reporting at Truthout.org, April 11:

In a sweeping move that follows a wave of divestment activism in Portland, Oregon, and across the country, the Portland City Council voted last week to pull all of the city's investments in corporate bonds and securities.

The decision was a major victory for a broad coalition of activists who have pushed for the city to end its investments in corporations that have questionable records on the environment and human rights,

including ties to the Dakota Access pipeline, the private prison industry and the Israeli occupation of Palestine.

"As their decision stands now, it's permanent. . . . We can rest assured in Portland that our money won't be funding prisons, pipelines and the occupation of Palestine," said Amanda Aguilar Shank, an organizer with the racial justice group Enlace, in an interview with Truthout.

WORLD NEWS

U.S. Turns Up Heat on Pyongyang

Vice president says North Korea shouldn't underestimate American resolve

The Trump administration is attempting a balancing act in its confrontation with North Korea, using bellicose rhetoric and promises of military help to America's allies to defend against Pyongyang while trying to coax China to apply economic and political pressure on its traditional ally.

By Carol E. Lee
in Washington
and Jonathan Cheng
in Seoul

Vice President Mike Pence visited the demilitarized zone dividing the Korean Peninsula on Monday, and stressed President Donald Trump's willingness to use military force to resolve crises. He declared an end to the Obama administration's foreign policy of "strategic patience" designed to avoid protracted conflicts.

"North Korea would do well not to test his resolve, or the strength of the armed forces of the United States in this region," Mr. Pence said of Mr. Trump in remarks to U.S. troops in South Korea. "The era of strategic patience is over."

Yet Mr. Pence also left open the possibility of resolving the North Korea threat "through negotiations," expressing hope that China will "do more" to set a course for a peaceful resolution. Asked what would be required to hold talks with North Korea, White House press secretary Sean Spicer



Vice President Mike Pence and his wife Karen Pence inspected the honor guard at the National Cemetery in Seoul on Sunday.

said "let's see" how working with China on the issue goes.

Mr. Pence's dual message came amid more tough rhetoric from North Korea as the aircraft carrier USS Carl Vinson steamed toward the peninsula. Pyongyang's Korean Central News Agency on Monday answered that decision by warning that North Korea would respond with a nuclear strike if "a single shell" was fired into the country's territory.

North Korea's deputy U.N. ambassador, Kim In Ryong, also accused the U.S. of "gangster logic" and warned of the

possibility of war on the Korean Peninsula. "It has created a dangerous situation in which thermonuclear war may break out at any moment on the peninsula and poses a serious threat to world peace and security," Mr. Kim told reporters.

While some U.S. officials left open the possibility of tackling the North Korea threat alone, others have called for patience to allow the linchpin of Mr. Trump's strategy—new economic and diplomatic pressure from China—to play out.

"We've gotten a lot of posi-

tive signals from the Chinese, but it takes time," the U.S. State Department's top official on Asia policy, Susan Thornton, said Monday. "There's not going to be an answer tomorrow or the day after that, it's going to take more time."

Ms. Thornton said the U.S. would consider going its own way if China doesn't take steps to change Pyongyang's behavior. But she said right now the U.S. believes China has "gotten the message" on North Korea.

U.S. officials have noted that China recently refused some coal shipments from Pyong-

yang. A senior Trump administration official said the U.S. was intentionally trying not to escalate public pressure on China, saying "we're not trying to put China on the spot."

The failure of North Korea's missile launch over the weekend gave temporary respite from the crisis. U.S. officials said that Washington would have offered a more aggressive response if there had been a successful nuclear test or intercontinental ballistic missile launch.

—Farnaz Fassih contributed to this article.

Ex-Leader Of South Korea Is Indicted

BY EUN-YOUNG JEONG
AND JONATHAN CHENG

SEOUL—South Korean prosecutors indicted former President Park Geun-hye on 18 charges including bribery and coercion, taking aim at the central figure in a corruption scandal that has led to indictments of high-profile government and business figures, including Samsung Group's de facto leader, Lee Jae-yong.

On Monday, South Korean prosecutors also indicted Shin Dong-bin, chairman of Lotte Group, South Korea's fifth-largest *chaebol* on bribery charges. Lotte said it was "disappointed" by the indictment of Mr. Shin, saying the contributions were part of a corporate social-responsibility effort.

The charges against Ms. Park land five weeks after she was removed from office by the Constitutional Court. She has previously denied wrongdoing. A snap election for a new president is set for May 9.

Prosecutors have said Ms. Park was the key player in a scandal that erupted after a report that the president had shared classified government documents with a close friend, Choi Soon-sil. According to prosecutors, Ms. Choi was given 47 classified documents and used her access to the president to meddle in state affairs and to enrich herself. They have said Ms. Park colluded with Ms. Choi and wrongfully exercised her authority as president to extract 77.4 billion South Korean won (\$68 million) from 18 conglomerates for donations to two entities linked to Ms. Choi. Ms. Choi has denied wrongdoing.

Prosecutors said Monday that new evidence shows the two solicited an additional 7 billion won from Mr. Shin and 8.9 billion won from Chey Tae-won, chairman of South Korea's No. 3 chaebol, SK Group. The two conglomerates were also among the original 18.

According to prosecutors, Messrs. Shin and Chey, whose companies had been stripped of lucrative licenses to operate duty-free shops, had asked Ms. Park to grant new ones. In November, prosecutors raided the offices of SK and Lotte in connection with the scandal.

Lotte said the 7 billion won was sent back in a month, while SK said it ended up not providing the additional funds. Mr. Chey hasn't been indicted.

WORLD WATCH

SRI LANKA

Trash Heap Collapse Kills Dozens in Capital

Rescuers dug through heaps of mud and trash that collapsed onto homes near a garbage dump outside Sri Lanka's capital, killing at least 29 people and possibly burying dozens more.

Hundreds of people had been living in the working-class neighborhood on the fringe of the towering dump in Meetotamulla, a town near Colombo, when the huge mound collapsed Friday night during a celebration of the local new year.

By Monday morning authorities had recovered 29 bodies.

—Associated Press

ISRAEL

Palestinian Inmates Begin Hunger Strike

Hundreds of Palestinians in Israeli prisons began a hunger strike to demand better conditions, in a protest led by a detainee considered a candidate to become a future Palestinian leader.

More than 1,500 of about 6,500 Palestinians held by Israel joined the open-ended protest on Monday, activists said, the largest such strike in five years. Their demands included more contact with relatives and an end to Israel's practice of detentions without trial.

The hunger strike was led by Marwan Barghouti, a prominent figure in Palestinian President Mahmoud Abbas's Fatah movement.

—Associated Press

China to Build City as a Cure for Crowding

BY DOMINIQUE FONG

XIONGAN NEW AREA, China—When the Chinese government announced plans this month for a new megacity a two-hour drive south of Beijing, gold fever erupted.

Fan Yushou, a 36-year-old businessman from Chongqing, about 1,100 miles away, hopped in his car and drove for 20 hours. Home prices in the area more than doubled after the April 1 announcement. Local media reported one Beijinger arrived with a trunk full of cash to buy apartments.

They all wanted a piece of the Xiongan New Area, billed in state media as an "ecocity" led by innovation and high tech set to rise from a swath of farmland and plastics factories—the epitome of the model of growth China aspires to.

The shot in the arm from

building Xiongan—2 trillion yuan (\$290 billion) of public and private investment over the next 15 years, according to a Morgan Stanley estimate—is likely to benefit old-style economic players and sectors.

The construction will require large amounts of steel, glass and cement. More than 30 state-owned firms, including China Railway Construction and mining firm Metallurgical Corp. of China, have pledged involvement.

Not joining the hype: Private businesses in the area, which fear they will have to give way to the influx of state firms, usually the first to benefit in major Beijing undertakings, and often at the expense of entrepreneurs.

"If the government decides...to move us out, that will definitely be the end of [the area's] businesses," said Wang Junsheng, the owner of a plastic

company in the area. State media laud Xiongan as a new version of the southern city of Shenzhen or Shanghai's Pudong district, which both emerged in times of economic transition. Shenzhen evolved from a sleepy village to first an export factory hive and more recently a tech megalopolis packed with talent and private companies. Pudong is now a hub of finance and trade.

Other projects to build cities from scratch have misfired. The \$91 billion project of Caofidian, a deep-water port built on reclaimed land, is mired in debt, full of abandoned buildings. Its steel mill is unprofitable. Government investment projects in Binhai New Area in Tianjin have since stalled.

While Shenzhen was built to draw foreign investment and take advantage of spillover from nearby Hong Kong, it is unclear what would make Xiongan, in a relatively isolated part of Hebei province, thrive.

There is of course the proximity to Beijing; a planned new rail line that will cut the commute there to an hour. And a new international airport is being built midway between Xiongan and the center of Beijing.

Xiongan's creation comes at a time when the congested capital is looking to relocate businesses and as many as two million people and provides a convenient cure for Beijing's overcrowding.

—Liyan Qi contributed to this article.



Aerial view of a lakeside villa complex in the Xiongan New Area.

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ISIS

Continued from Page One
trees by the river, said the bomb left a "big hole in the ground" and showed a picture of the bombing site on his phone.

In the days leading up to the blast, U.S. and Afghan forces killed more than a dozen Islamic State fighters, driving the militants out of much of the surrounding Achin district and into the mountains, according to the commander, who declined to give his name.

"It gives us a lot of pleasure to kill them," said the commander, who also showed pictures of commandos posing with the dead bodies of two men with long black hair and beards.

Islamic State first appeared in Afghanistan in late 2014, as the U.S.-led coalition reduced its presence in the country. The following year, the militant group expanded to as many as a dozen districts in Nangarhar province, its main Afghan stronghold, including Achin.

The snow-capped Spingar Mountains extend for hundreds of miles along the border with Pakistan, and Osama bin Laden is believed to have taken shelter there in 2001 after the U.S.-led invasion following the September 11 attacks.

The U.S. military dropped its 15,000-pound "Daisy Cutter" bombs there at the time. Sixteen years on, the U.S. has again resorted to its heaviest weaponry to fight a new



Afghan commandos in Shadal, a village near the site of the U.S. bombing on April 13.



THE WALL STREET JOURNAL

have a spokesman. Yet the valley around Asad Khel hasn't yet been secured and the Afghan government presence in Achin is minimal. Two Islamic State fighters on Saturday tried to attack the government's district headquarters several miles away with a car bomb, but a U.S. airstrike intercepted the vehicle, according to security sources.

The Islamic State fighters in the area include Afghans and foreigners, according to the Afghan commander. He said identification cards found among the fighters were from Arab countries, Pakistan, Uzbekistan and other places. The Wall Street Journal could not independently verify those claims. A U.S. soldier in command at the site declined to be inter-

viewed.

The recent advances by U.S. and Afghan forces have allowed some residents of Asad Khel to return to their homes for the first time in two years and inspect the damage.

The ruins of abandoned shops and homes are pockmarked with bullet and graffiti. Next to the local school, among the worst-hit buildings, were freshly dug, unmarked graves where villagers had buried two Islamic State fighters, according to Afghan commandos.

Except for a handful of men who were tending to cornfields with shovels and a few children who were playing in the fields, the village was mostly deserted. Some villagers fear Islamic State fighters could return if U.S. and Afghan forces don't oust them from the mountains.

"We request from them please go further" up the valley, said Sabitullah, who like many Afghans goes by one name. He was home for the first time in two years, after he said Islamic State killed two of his relatives, forcing him to flee to a safer area. "Go to the mountain and attack their center and we will support you," he said.

The police chief of Nangarhar province, Abdul Rahman Rahimi, said estimates of the number of Islamic State fighters in the province range between 700 and 1,200. He said the current offensive has turned the tide against Islamic State in the area.

"In my view, their backbone is broken," he said. "They have lost momentum."

ISRAEL

Palestinian Inmates Begin Hunger Strike

Hundreds of Palestinians in Israeli prisons began a hunger strike to demand better conditions, in a protest led by a detainee considered a candidate to become a future Palestinian leader.

More than 1,500 of about 6,500 Palestinians held by Israel joined the open-ended protest on Monday, activists said, the largest such strike in five years. Their demands included more contact with relatives and an end to Israel's practice of detentions without trial.

The hunger strike was led by Marwan Barghouti, a prominent figure in Palestinian President Mahmoud Abbas's Fatah movement.

—Associated Press

BUSINESS & FINANCE

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Buzz Fades Over Emerging-Market Bets

By SAUMYA VAISHAMPAYAN
AND IRA IOSEBASHVILI

A crack is forming in an emerging-market revival that channeled almost \$60 billion into assets of developing economies during the first months of 2017.

While money is still flowing in, some investors, such as investment manager Neuberger Berman, UBS Wealth Management and the hedge fund CCTrack Solutions, have been cutting back on emerging-market bets. The currencies of South Africa, Brazil, Poland and Turkey are down from their first-quarter peaks. And though the Russian ruble has

had a good run, the iShares MSCI Russia Capped ETF, which tracks the nation's stocks, has slumped about 7% in 2017.

Now, worries are setting in that the buying spree, which helped give emerging-market stocks and currencies their best quarter in two years, has resulted in lofty valuations as geopolitical tensions escalate. Yield-seeking portfolio managers who made widespread purchases could be just as indiscriminate when it comes to selling, market watchers say. And downturns could last a long time: The MSCI Emerging Market Index fell three years straight before notching a gain

in 2016.

With European elections looming and tension growing between the U.S. and North Korea, "there is elevated political risk on too many different fronts," said Thanos Bardas, a portfolio manager at Neuberger Berman. "Markets have moved up a lot. Now you can see the pendulum swinging in the other direction."

Neuberger Berman recently took profit on the Mexican peso and other emerging-market currencies, Mr. Bardas said. He intends to stay on the sidelines at least until the conclusion later this month of the first round of the presidential election in France, where the

likelihood of success by far-left and far-right candidates has caused jitters among investors.

Some data justify the valuations in emerging markets: Chinese growth has steadied and Argentina appears to be slowly coming out of a recession. Global demand has buoyed exports, while higher U.S. tariffs have yet to materialize, helping boost sentiment toward trade-dependent developing economies.

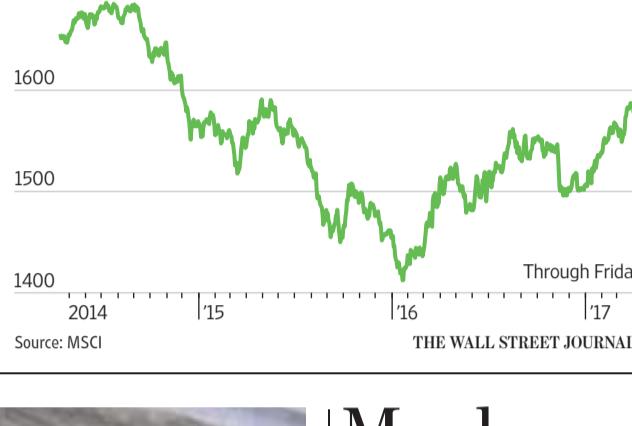
But money rushing into assets of developing nations suggests a search for yield could be trumping traditional metrics like a country's eco-

Please see BETS page B11

Money Worries

Currencies of developing economies have rebounded quickly since 2016, causing some to worry the rally is now overextended.

MSCI EM currency index



Source: MSCI

Murder Forces Scrutiny at Facebook

By DEEPA SEETHARAMAN

Facebook Inc. is reviewing how it handles objectionable content after a Cleveland man posted a video of a murder on the site, sparking outrage over the social-media giant's failure to more closely monitor violence on its platforms.

On Sunday afternoon, 37-year-old Steve Stephens posted two videos on Facebook, one announcing his intent to commit murder and a second video of himself allegedly approaching an older man, Robert Godwin Sr., and shooting him in the head. About 10 minutes later, Mr. Stephens went on Facebook Live, an instantaneous broadcasting tool, to talk about this and other alleged crimes.

Mr. Stephens started posting the videos on Facebook at 2:09 p.m. Eastern time, according to Facebook. Facebook received its first report about the second video, containing footage of the shooting, around 4 p.m., and the company removed Mr. Stephens' Facebook page around 4:22 p.m., more than two hours after he started posting the videos.

In a blog post Monday, Justin Osofsky, Facebook's vice president of global operations, acknowledged that its content review process is flawed and that it wants to improve how it allows users to flag objectionable content to Facebook. Mr. Osofsky said Facebook is also looking into how the company manages and prioritizes the reported content.

"As a result of this terrible series of events, we are reviewing our reporting flows to be sure people can report videos and other material that violates our standards as easily and quickly as possible," Mr. Osofsky said.

Please see VIDEO page B2



JOHN VESSELS/AGENCE FRANCE PRESSE/GETTY IMAGES

Gemfields workers sort through stones for rubies at a Mozambique site that has emerged as the world's largest known ruby deposit.

Gemfields Sees Boom for Rubies

Discovery of huge trove in Mozambique has miner betting on renewed demand

By ALEXANDRA WEXLER

NAMANHUMBIR, Mozambique—When Gemfields PLC Chief Executive Ian Harebottle hosts visitors at the company's Montepuez ruby mine, he jokingly tells guests that they are only allowed to have lunch if they can collect a handful of the rare red stones. No one ever goes hungry.

Machines need only dig 10 feet into the ground at this former hunting ground in northern Mozambique to unearth millions of carats of jewels each year. Once the top layers of soil are removed, dozens of glistening stones are visible to the naked eye, and guests can fondle the gems before depositing them into plastic bags held by security guards.



Colored gems, such as rubies, are again in many jewelry designs.

Mr. Harebottle is betting this remote site, which has emerged as the world's largest known ruby deposit, will power a new global boom for the gem, one of the few precious stones rarer—and in

some cases more expensive—than diamonds. Gemfields, which owns 75% of Montepuez, continues to ramp up production. In the second half of last year, the mine produced 5.6 million

carats of ruby and parent-stone corundum, up from 2.1 million carats during the same period a year earlier.

"It's almost an embarrassment of riches," says Patrick Morton, an analyst at Macquarie Group Ltd. But to make good on the mine's promise, he says Gemfields needs "to marry the technical challenge of ramping up the mine with the need to develop demand to absorb all of this new production." The supply chain, traditionally based in Southeast Asia, also needs an overhaul.

Gemfields has revived a playbook it used after taking control of the world's largest emerald mine in Zambia in 2009. The strategy, which has helped lift global emerald

Please see RUBY page B2

Please see VIDEO page B2



ELIZABETH HOLMES

solves "all outstanding legal and regulatory proceedings between CMS and Theranos."

In October, the company announced plans to completely exit from the laboratory business to focus on its planned miniature testing devices, which would need approval by another regulator, the U.S. Food and Drug Administration, before the firm can sell them to U.S. customers.

Theranos had once sought to upend the medical-lab business by performing low-cost tests on just a few drops of blood taken from finger-stick samples on its own technology. But a series of Wall Street Journal articles raised questions about the company's laboratory technology and practices.

When CMS inspectors visited the Newark lab in November 2015, they found problems with quality controls needed to ensure lab results are reliable for both tests done on

Theranos's "Edison" proprietary devices, as well as con-

vventional devices.

After CMS imposed the sanctions, Theranos appealed. Both parties have repeatedly agreed to postpone any hearing in the appeal, which Theranos is withdrawing as part of its deal.

As part of the pact, CMS is easing other penalties Theranos might have faced. For instance, Theranos will pay just \$30,000 in civil monetary penalties, rather than the \$10,000 a day the company would have owed for each day it failed to meet regulatory requirements.

On the litigation front, one of the investors who is suing in a Delaware court successfully sought last week to have a judge there block a deal Theranos was pursuing with its other major investors that would reward them with additional shares in the company in exchange for their promises not to sue.

Those cases, along with one by Theranos's former retail partner, Walgreens, a unit of Walgreens Boots Alliance Inc., seek to recover around \$240 million from Theranos.

INSIDE



NETFLIX GROWS AT LESS THAN TORRID PACE

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WHOLE FOODS TRIES DELICATE BALANCING ACT

RETAIL, B3

Theranos Agrees to 2-Year Ban From Blood Testing

By CHRISTOPHER WEAVER

Theranos Inc. and its founder pledged to stay out of the blood-testing business for at least two years in exchange for reduced penalties from federal health authorities, in an agreement that resolves a yearlong regulatory impasse.

The main lab regulator first had proposed barring Elizabeth Holmes from the medical-lab business for two years in March 2016 after the company failed to correct testing problems at its main lab in Newark, Calif., ones that inspectors earlier had said put patients in "immediate jeopardy."

The development removes a major overhang for the troubled Silicon Valley startup. But Theranos continues to face other challenges, including criminal and civil investigations examining whether it has misled investors, lawsuits by several investors saying they were duped and claims from patients saying they received inaccurate test results. Theranos is fight-

ing the suits and cooperating with the probes.

The regulator, the Centers for Medicare and Medicaid Services, "continues to protect patient safety which is our highest priority," a spokesman said in a statement. "As a result of this settlement agreement, Theranos's current and former owners, operators, and directors have agreed not to own, operate, or direct any clinical labs subject to CMS's Clinical Laboratory Improvement Amendment for two years."

Theranos already had made major changes in the face of regulators' scrutiny. After CMS completed its proposed sanctions in July, the company began to shift its focus to a business strategy that involves developing laboratory devices to sell to third parties, rather than doing tests itself.

As part of the agreement, Theranos affirmed that, consistent with the business plans it outlined last fall, the company will not own or operate a clinical laboratory within the

next two years," it said in a statement Monday. "Theranos exited the clinical lab and retail business last year, and is focusing on its miniaturized, automated testing platforms and related chemistries."

In late September, regulators also found problems at Theranos's second lab, in Scottsdale, Ariz. The statement Monday said the agreement re-

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BUSINESS & FINANCE

Cigarettes Get Pricier

California this month introduced a \$2-a-pack tax increase on cigarettes, and several other states—including Oregon, Oklahoma and Delaware—are considering tax rises of their own.

Cigarette taxes in all states



*Chicago is the city with the highest combined local-state tax, including a city tax of \$1.18, a county tax of \$3 and a state tax of \$1.98.
Sources: Campaign for Tobacco-Free Kids (taxes in all states), Federation of Tax Administrators (taxes in all states), staff reporting (states considering tobacco-tax increases)

More than \$2 a pack



\$1 - \$1.50 a pack



\$1.51 - \$2 a pack



Less than \$1 a pack



THE WALL STREET JOURNAL.

Big Firms Resist Boardroom Entry

BY JOANN S. LUBLIN

Several big businesses, including **International Business Machines** Corp. and **Charles Schwab** Corp., are resisting investors' demands for greater boardroom clout ahead of this year's annual shareholder meetings.

Those firms oppose proxy access, which grants shareholders the right to list board candidates on ballots, giving them greater power to oust directors and influence corporate strategy.

This governance change has been embraced by 408 U.S. companies, according to ISS Corporate Solutions, a unit of Institutional Shareholder Services, a major proxy-advisory firm. Nearly all such firms made the change in the past few years.

About 58% of S&P 500 companies have adopted proxy access, according to ISS. That is up from about 21% in early 2016 and about 1% in 2014.

In coming years, virtually every company will have to

decide whether to "give shareholders a voice in director elections or risk investors' ire," said New York City Comptroller Scott M. Stringer, who manages \$170 billion in pension funds. He launched a drive in 2015 to persuade dozens of companies to adopt or improve proxy access.

An influential bloc of public-pension funds in various locales has supported the initiative.

Since December, companies such as Texas Instruments Inc., Phillips 66 and Consolidated Edison Co. have agreed to give investors the keys to their boardrooms. All three acted after New York City pension funds submitted proxy-access measures for the companies' 2017 annual meetings. Thirteen of 18 such resolutions backed by the Stringer campaign won majority support at annual meetings last year.

Companies typically change their corporate bylaws so owners holding at least 3% of their shares for at least three years can propose a significant por-

tion of board members.

Other big businesses fiercely oppose the idea, however. At IBM, proxy access would undercut the board's role "in evaluating director nominees," the computing giant said in its latest proxy statement. And spe-

since 2004 after they won majority support, an IBM spokesman said.

Charles Schwab also dislikes proxy access. The shareholder resolution "risks disruption in unforeseen ways," the discount brokerage said in its latest proxy. "Contested director elections could occur every year, leading to high turnover [and] inexperienced directors with insufficient knowledge."

If proxy access passes at Schwab's May 16 annual meeting, directors will consider what is in shareholders' best interest, a company spokeswoman said.

Big asset managers are championing the access efforts. TIAA did a separate letter-writing campaign to its top 100 U.S. holdings in 2015 and urged those companies to improve the ability of investors to nominate directors.

More than two-thirds have adopted proxy access, said a spokeswoman for Nuveen, TIAA's investment-management arm.

58%

Percentage of S&P 500 firms that have adopted proxy access

cial-interest groups could "promote their own agendas, potentially at the expense of the long-term interests of stockholders," the statement continued.

IBM investors vote on proxy access for the first time at the company's annual meeting next week. The governance proposal is nonbinding. IBM's board implemented similar advisory measures at least four times

objectionable content, but understanding what's happening in a video is still complicated for software.

"Because these processes cannot be easily and reliably automated—particularly those videos that are running as live streams—there is no reason to think that people will not continue to find terrible ways to use the platform," said Sarah T. Roberts, an assistant professor of information studies at the University of California, Los Angeles and an expert on content moderation.

"The question that I have is why these consequences were not adequately weighed before the rollout of the Facebook Live tool," Ms. Roberts added.

Facebook previously told the Journal that it thought

"long and hard" about what people might share on live video, including shocking or traumatic videos.

Facebook used its F8 conference to celebrate the recent global rollout of Facebook Live, which allowed its users to broadcast in real time. Facebook started promoting video on its platform in 2014.

The Facebook spokeswoman said the company is "in touch with law enforcement in emergencies when there are direct threats to physical safety."

Typically, Facebook will share basic records with law enforcement, including name, recent logins and credit-card information, under subpoena. It will share more, including IP addresses, if it receives a valid court order.

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VIDEO

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Osofsky said.

The video is among the most extreme examples of Facebook's video tools being used to promote or showcase violence. It revives questions about Facebook's readiness to handle sensitive or violent content broadcast live on its platform, the subject of a Page One article in the Journal last month.

"This is a horrific crime and we do not allow this kind of content on Facebook," a Facebook spokeswoman said in a statement. "We work hard to keep a safe environment on Facebook."

The video was posted two

days before Facebook's annual developer conference called F8, during which Chief Executive Mark Zuckerberg and other executives will showcase the new features and tools it plans to introduce to its nearly two billion users. The conference will kick off with keynote remarks from Mr. Zuckerberg.

According to a tally by The Wall Street Journal, people have used Facebook Live to broadcast more than 60 sensitive videos, including murder, suicides and the beating in January of a mentally disabled teenager in Chicago.

Facebook has strict standards prohibiting using its site to promote violence, and employs content moderation teams to check for violations.

Facebook relies on thou-



FACEBOOK/ASSOCIATED PRESS

Victim Robert Godwin Sr.

sands of contractors worldwide to review content, but live-video reports are handled by a small, specialized team of contractors in the Bay Area who work around the clock in

eight-hour shifts, the company confirmed. Current and former employees at Facebook said its content-moderation teams were trained to remove offensive or violent live videos, such as beheadings and pornography.

If a video hits a certain number of concurrent views, it is automatically sent to the contractors for review, according to people familiar with the matter and Facebook.

But content moderation experts say it is difficult for tech companies to uphold their standards because of the sheer amount of content posted online every day and the comparatively small number of content reviewers.

Facebook is developing technology to detect violent and

objectionable content, but understanding what's happening in a video is still complicated for software.

"Because these processes cannot be easily and reliably automated—particularly those videos that are running as live streams—there is no reason to think that people will not continue to find terrible ways to use the platform," said Sarah T. Roberts, an assistant professor of information studies at the University of California, Los Angeles and an expert on content moderation.

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RUBY

Continued from the prior page
prices 14-fold since 2009, according to company sales data, includes creating a new grading and auction system, plying designers with a constant stream of stones and aggressive marketing. The company spent \$15 million in the year ended June 2016 on ad campaigns featuring Hollywood actresses such as Mila Kunis and Sophie Cookson.

The push comes at a time when colored gems have once again become the centerpiece in jewelry designs, whether it is Kate Middleton's sapphire engagement ring or the bright haute couture pieces that grace the red carpet. Demand for rubies, long renowned for their durability and beauty, has risen.

Further fueling interest, the U.S. in October lifted an eight-year ban on imports of all rubies mined in Myanmar, the traditional and most well-known source of the gem.

"The ruby in a fine quality and a large size is still the rarest large stone that exists in the world," says Marco Hadjibay, creative director at Bayco Jewels, a high-end New York designer. "Prices have kept jumping up."

While the market for rubies remains relatively small compared with diamonds, it is growing. A Gemfields ruby auction in December achieved an average price of \$27.79 a carat, up from



BUSINESS NEWS

Whole Foods Tries Balancing Act

Grocer aims to trim prices but keep its cachet by offering locally sourced items

By ANNIE GASPARRO
AND HEATHER HADDON

Whole Foods Market Inc. wants to cut prices without sacrificing the local products that define its healthy image.

Investors are pushing the organic-food pioneer to boost profit by operating more like a big-box grocer. Some smaller suppliers and industry consultants say the shift to a more-centralized distribution structure and other changes risk compromising Whole Foods' ability to keep stocked with the latest foodie trends and hot local brands.

"Shifting to national buyers can certainly deliver cost savings to Whole Foods, but at what price to the soul of the banner?" said Jim Cusson of brand consultancy Theory House.

Many of the changes are being spearheaded by Don Clark, a former **Target** Corp. executive hired in November 2015 to run Whole Foods' grocery operations. The data analytics, centralized purchasing and strict shelf-management know-how he brought from Target could save money that Whole Foods can use to lower its relatively high prices, addressing a key customer complaint. But matching its competitors on price could also mean limiting how often it updates the products Whole Foods stocks.

Whole Foods has long divided its 462 stores into 11 regions, each with distinct product offerings like local maple syrup and gourmet pickles. A quarter of Whole Foods shoppers that visited the chain in the past month did so for items they couldn't find elsewhere.



Whole Foods is shifting strategy after its longest stretch of same-store sales declines since going public. Above, a store in New York.

where, according to a survey by Kantar Retail. For those who also shopped at Wal-Mart Stores Inc., only 3% said exclusive brands were a top draw.

The shift comes as Whole Foods looks for a way out its longest stretch of same-store sales declines since going public in 1992. Whole Foods is under pressure from Jana Partners LLC, which last week said that along with allies it had amassed an 8.8% stake in Whole Foods. The firm is pushing for faster operational changes.

Major grocery stores like Kroger Co. and Albertsons Cos. have seen annual sales increases of more than 10% in recent years for natural and organic foods, eating into Whole Foods' core business.

Stealing that business from Whole Foods and other specialty stores has been a rare bright spot for big grocery chains battling more competition and falling food prices, which has sparked a price war that has eaten into profits.

Whole Foods co-founder and Chief Executive John Mackey said his chain remains a specialty store even as it adopts more conventional techniques. "Our culture is still very unique," Mr. Mackey recently told The Wall Street Journal. "What Whole Foods needs to do is to take the best ideas of the traditional supermarket industry and integrate them into our company."

He said his new strategy strikes a balance between the remaining autonomy of re-

gional executives and an easier process for national brands to pitch their products just once at Whole Foods' Austin, Texas, headquarters. That streamlining will lead to lower prices, he said.

But smaller brands and people who work with them say they have less incentive to put up with a more impersonal Whole Foods. "It's not a great launching pad for brands anymore, and there are plenty of other options," said brand consultant Jeff Grogg.

Aaron Glassman, owner of **SOL Natural Foods**, said that as a small company, the changes are making it harder to get on shelves at Whole Foods. "They have condensed the purchasing powers into less people. It makes it more

challenging," he said.

A.C. Gallo, Whole Foods' president and chief operating officer, said small suppliers will still have access to the brand's national store network, and that the approach will allow executives to better monitor how well local products are performing.

And some big brands say Whole Foods' regionalized approach made it tough to negotiate a nationwide strategy for their brands.

"It's always been difficult for everyone to commit the resources and big ideas to Whole Foods when it took a region-by-region" approach, said John Foraker, chief executive of Annie's Homegrown, a large Whole Foods supplier of macaroni and cheese and snacks.

Google Is on Road to Reno to Create Data Center

Tesla Inc.'s "gigafactory" has a big new neighbor: **Google**.

Google last week bought land stretching across 1,210 acres at a private industrial park east of Reno, Nev., for \$29.1 million, according to people familiar with the deal and documents filed late Friday in Storey County, Nev.

By Jack Nicas in San Francisco and Jim Carlton in Reno, Nev.

The **Alphabet** Inc. unit aims eventually to build a data center at the 107,000-acre Tahoe Reno Industrial Center, according to these people. Google, which made the deal through a subsidiary called **Silver Slate** LLC—created in Delaware in

August—has no immediate plans to build, according to a person close to the company.

The vacant desert tract near Electric Avenue is several miles south of the 3,200 acres where Tesla is building its \$5 billion battery factory, which could be the world's biggest building, at 10 million square feet, when it is completed in the next several years.

Once known for casinos and brothels, Reno is attracting corporations drawn by its low costs, lenient permitting rules and relative proximity to Silicon Valley. Other big corporations that have recently built data centers, factories and distribution centers at the industrial park include Wal-Mart Stores Inc. and eBay Inc.

Google is aggressively expanding its network of computers—likely already the biggest in the world—to support its core internet business and its push into selling computing

Some officials say they were required to sign nondisclosure agreements.

power over the internet, known as cloud computing.

The company believes its cloud business could one day eclipse the advertising business that accounted for 88% of Al-

phabet's \$90 billion in sales last year. Google and cloud rivals Amazon.com Inc. and Microsoft Corp. are collectively spending billions of dollars each year on data centers, vast warehouses of computer servers.

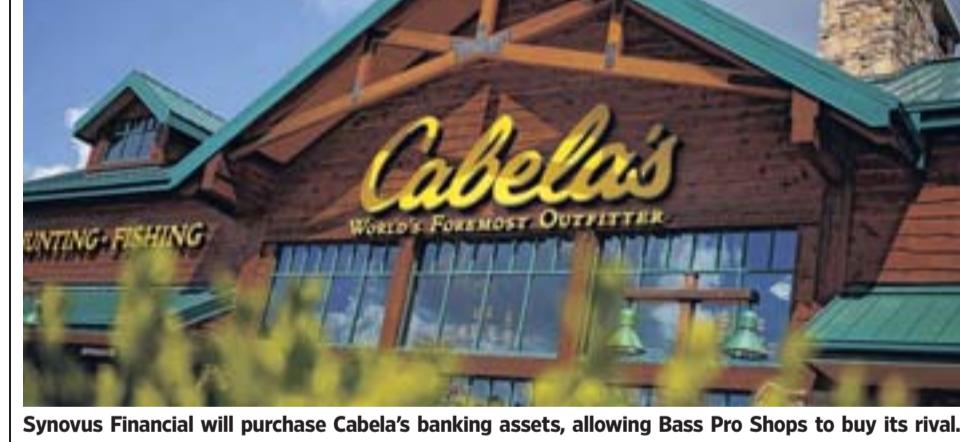
A Google data center near Reno would likely leverage new fiber-optic connections at the industrial park. Internet-infrastructure company Switch LPD recently connected Silicon Valley, Los Angeles, Las Vegas and the Tahoe Reno Industrial Center with high-speed cable that can deliver data around the loop in less than 14 milliseconds, or thousandths of a second.

Some officials in Reno said rumors of Google's expansion

there have swirled for two years. The deal was cloaked in secrecy, with some officials saying they had been required to sign multiple nondisclosure agreements. "The company that shall remain unnamed" is how one person referred to Google when asked about it. Others around town have called the sale "the megadeal."

The industrial center has been a big draw. Its top pitch man, Lance Gilman, is a cowboy-hatted real-estate broker and county politician who also owns the World Famous Mustang Ranch—as it is labeled on Google Maps—a legally licensed bordello near the edge of the park.

—Richard Teitelbaum contributed to this article.



Luke Sharrett/Bloomberg News

Synovus Financial will purchase Cabela's banking assets, allowing Bass Pro Shops to buy its rival.

Cabela's Sale Clears a Hurdle

By LIZ HOFFMAN
AND ANNAMARIA ANDRIOTIS

Synovus Financial Corp. said it had agreed to buy the banking assets of **Cabela's** Inc., allowing the outdoor retailer's \$4.2 billion sale to rival **Bass Pro Shops** to proceed after hitting regulatory snags.

Capital One Financial Corp. will buy Cabela's credit-card portfolio, while Synovus, a small lender in the southeastern U.S., will acquire the bank's \$1.2 billion in deposits.

Cabela's shares rose 6.6% to \$57.25, in after-hours trading on Monday. They had traded as low as \$45 in February as investors worried the transaction wouldn't be completed and jumped to \$52 after the Journal's story last month.

The World's Foremost Bank—a play on Cabela's slogan as "the world's foremost outfitter"—exists to issue Cabela's branded credit cards. It finances its customer's purchases by issuing CDs.

Synovus will receive the bank's net assets at a \$70 million discount, then will resell the credit-card portfolio to Capital One, picking up a \$5 million premium in the process, according to a regulatory filing.

seeking an alternative buyer for the bank.

The Wall Street Journal first reported that Synovus was in deal talks with Cabela's and Bass Pro last month. Under the new deal, closely held Bass Pro will still buy the retail business, which generated \$3.6 billion in revenue last year selling everything from crossbows to boats. It has financial backing from Goldman Sachs Group Inc. and others.

Synovus will receive \$75 million for stepping in to help save the deal. That cost will be borne largely by Cabela's shareholders, who will receive \$4 less a share than originally agreed upon. The new price of \$61.50 a share represents a 6% price cut.

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TECHNOLOGY

Netflix Adds Fewer Viewers

Subscriber growth slowed in first quarter, missing guidance, but profit expanded

BY SHALINI RAMACHANDRAN AND BOWDEYA TWEH

Netflix Inc.'s U.S. and international subscriber growth slowed in the first quarter, coming in below expectations, though profit grew as content costs were lower than anticipated.

The Los Gatos, Calif., company reported 98.75 million total subscribers, up from 81.5 million a year ago. Analysts polled by Thomson Reuters expected 98.9 million subscribers overall. The company said in a shareholder letter that it is on track to surpass 100 million subscribers this week.

The company added 3.53 million international subscribers in the quarter, missing its guidance of 3.7 million. In the year-ago quarter, it added 4.51 million international customers.

Its U.S. subscriber growth slowed, as it added 1.42 million customers, missing its target of 1.5 million. It added 2.23 million U.S. customers in the prior-year period.

Netflix ended the first quarter with 50.85 million U.S. customers and 47.9 million international customers.

The streaming-video company has been aggressively pursuing international expansion as its core U.S. market matures. Following a battery of launches a year ago, Netflix says it now serves customers in more than 190 countries. The company had signaled to Wall Street that it would be tough to sustain the subscriber additions that came with launches in new markets a year ago.

Its executives also said Monday that moving the fifth season of "House of Cards" to premiere in the second quarter led to lower subscriber additions in the current period.



Jennifer Hudson and Adam Sandler in a scene from the Netflix original movie 'Sandy Wexler.'

"We have come to see these quarterly variances as mostly noise in the long-term growth trend and adoption of internet TV," Netflix executives said in a shareholder letter.

Netflix said subscriber growth is no longer the best way to measure the company's progress, and encouraged investors to focus on revenue growth and global operating margins as its primary metrics.

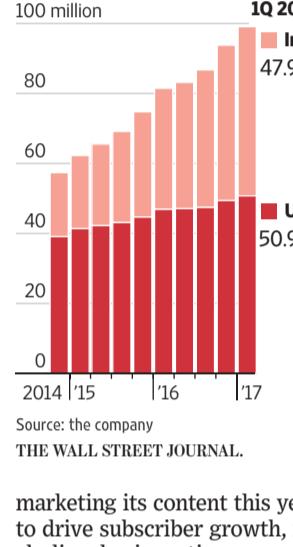
Netflix's first-quarter profit was \$178.2 million, or 40 cents a share. In the comparable 2016 period, the company reported a profit of \$27.7 million, or 6 cents a share. Revenue rose 35% to \$2.64 billion.

Analysts surveyed by Thomson Reuters had projected earnings of 37 cents a share on \$2.64 billion in revenue.

Netflix said that profit will be down in the second quarter because of higher content costs including the debut of the fifth season of "House of Cards" and more original movies. It expects to report a second-quarter profit of \$66 million, or 15 cents a share.

In the letter, Netflix executives said the company will spend more than \$1 billion in

Global Growth



Source: the company

THE WALL STREET JOURNAL

marketing its content this year to drive subscriber growth, including by investing more in programmatic advertising, which adds a layer of automation and targeting to traditional methods.

Through Monday, Netflix shares are up 19% this year.

Netflix's model rests on signing up new subscribers rapidly enough to offset its mushrooming content costs as

it invests increasingly in original shows. Streaming content obligations, a measure of its total current and future programming expenses, stood at \$14.5 billion as of Dec. 31.

As it has ramped up spending in a variety of genres including reality TV and comedy, Netflix said early results for comedy specials are promising, with "Dave Chappelle: Collection 1" marking its "most viewed comedy special ever."

In a rare admission, Netflix said its original movie "Crouching Tiger, Hidden Dragon: Sword of Destiny" didn't perform up to its expectations. It said its slate of original Adam Sandler movies and the historical drama "Siege of Jadotville" were successful relative to their cost.

Netflix's long-term debt grew from \$2.37 billion a year ago to \$3.37 billion as of March 31, as it continued to plow money into original shows. With more than 70 original shows set to debut in 2017, Netflix plans to invest \$6 billion in content, up from \$5 billion last year.

♦ Heard on the Street: Netflix can't tune out its reality... B12

More Manufacturers Weigh Insurance For Cyberattacks

BY RICHARD TEITELBAUM

Abbott Laboratories was pilloried last week by regulators for, in part, botching its response to a report that certain company defibrillators and pacemakers could be manipulated by hackers. Shares of the health-care company, which acquired the devices in its purchase of St. Jude Medical Inc., fell 1.9%.

The criticism, which came in a warning letter from the Food and Drug Administration, casts another spotlight on the fusillade of cyber dangers facing manufacturers.

For years cyber insurance was overwhelmingly purchased by consumer-facing business—retailers, financial-service providers and hospitals. Mostly this was to protect against customer data theft. The St. Jude situation helps explain why manufacturers are now rushing to make sure they are covered.

Manufacturers paid \$36.9 million in premiums for cyber-specific policies in 2016, according to Advisen Ltd., an insurance consulting firm, based on its sample of over 9,000 mostly U.S. companies. That is up 89% from the year before. Manufacturers accounted for 12.6% of premiums tracked in 2016 compared with 9% the year before.

"There's certainly an increased exposure in the industry overall," says Daniel Steiner.

Many property and casualty policies require physical damage before they pay, said Ben Beeson, cyberrisk practice leader at brokerage Lockton Cos.

A wake-up call for manufacturers came in December 2014 when the German Federal Office for Information Security reported that a cyberattack caused "massive damage" at a steel plant it didn't name. The report highlighted how cyberattacks can be more destructive than events like floods.

"When you look at severity, you have to consider they are cyber-based," said Brent Pickens, director of global risk management at Bemis Co., a maker of plastic packaging that was an early buyer of cyber insurance. Selecting a cyberpolicy forces manufacturers to set priorities on what to protect, he said, particularly at larger companies that can have policies tailored for different plants and situations.



A Kimberly-Clark factory in Brazil. The firm began buying cyber insurance in 2009, as traditional policies may not cover such threats.

Cloudera Divulges IPO Price Estimate

BY AUSTEN HUFFORD

Big-data software company Cloudera Inc. gave a price estimate for its initial public offering that values it as high as \$1.79 billion, though the per-share price range is still well below levels previously paid for company stock.

Cloudera said 17.3 million shares of its common stock could be sold in the IPO for a price of between \$12 and \$14 a share. With 128 million shares outstanding expected after the offering, that values the company at between \$1.54 billion and \$1.79 billion.

Mr. Lee will be replaced on an interim basis by food-industry veteran Brian Driscoll until the board finds a permanent successor, though it also said Mr. Driscoll is a strong candidate.

The snack maker also warned that first-quarter earnings would miss expectations. It expects first-quarter earnings of 13 cents to 14 cents a share on revenue of \$530 million to \$532 million, below analysts' forecasts of 27 cents a share on \$551.2 million, according to Thomson Reuters.

♦ Imani Moise

As of December, Cloudera's mutual-fund investors had marked down their estimated values of their shares to between \$17 and \$26, according to The Wall Street Journal's Startup Stock Tracker.

Cloudera also noted that Intel is interested in buying up to 10% of its shares to be offered. At Cloudera's estimated price range, up to \$241 million of shares would be sold during its IPO, and Intel's 10% stake would cost it up to \$24 million.

A potential 10% purchase by Intel would help keep its stake in Cloudera from being diluted. Without the potential purchase, Intel's ownership would drop to 19% after the offering, but it would remain at around 21% if Intel did purchase the full 10%.

Cloudera, based in Palo Alto, Calif., sells software and services that help customers analyze oceans of digital information flowing from networked devices.

♦ Rolfe Winkler

contributed to this article.

ESCAPE THE EVERYDAY EVERY DAY

PPG INDUSTRIES

Paint Maker Appeals To Akzo Shareholders

PPG Industries Inc. appealed directly to Akzo Nobel NV

shareholders, employees and

customers to pressure the Dutch

paint and chemicals maker into

negotiations over the U.S. rival's

\$24 billion takeover bid.

Growth in the U.S. is slowing.

The number of people who use a

ride-hailing service in the U.S.

will increase 7% in 2018, com-

pared with an estimated 13%

gain this year, according to re-

search firm eMarketer.

♦ Anita Rachman

contributed to this article.

day it will continue to evaluate

alternatives despite not complet-

ing the \$1.6 billion deal with

China's Anbang. Monday was

the deadline for the purchase to

clear hurdles from insurance regu-

lators in Iowa and New York.

"We have determined that it is no longer in the best interests of FGL's shareholders to con-

tinue to pursue the transaction with Anbang," said Chris Little-

field, president and chief execu-

tive of Fidelity & Guaranty.

♦ Bowdeya Tweh

and Leslie Scism

SNYDER'S-LANCE

CEO Steps Down; Weakness Ahead

Snyder's-Lance Inc. said

Monday that Chief Executive

Carl Lee Jr. has retired after 12

years at the company, and the

maker of Kettle Brand and Cape

Cod chips braced investors for

weakness going forward.

Mr. Lee will be replaced on an

interim basis by food-industry

veteran Brian Driscoll until the

board finds a permanent suc-

cessor, though it also said Mr.

Driscoll is a strong candidate.

The snack maker also warned

that first-quarter earnings would

miss expectations. It expects

first-quarter earnings of 13 cents

to 14 cents a share on revenue

of \$530 million to \$532 million,

below analysts' forecasts of 27

cents a share on \$551.2 million,

according to Thomson Reuters.

♦ Imani Moise

contributed to this article.

FIDELITY & GUARANTY LIFE

Insurer Terminates Anbang Agreement

After spending more than a

year locked into a deal, U.S. life

insurer Fidelity & Guaranty Life

terminated its agreement to be

purchased by Anbang Insurance

Group Co.

Fidelity & Guaranty said Mon-

day it will continue to evaluate

alternatives despite not complet-

ing the \$1.6 billion deal with

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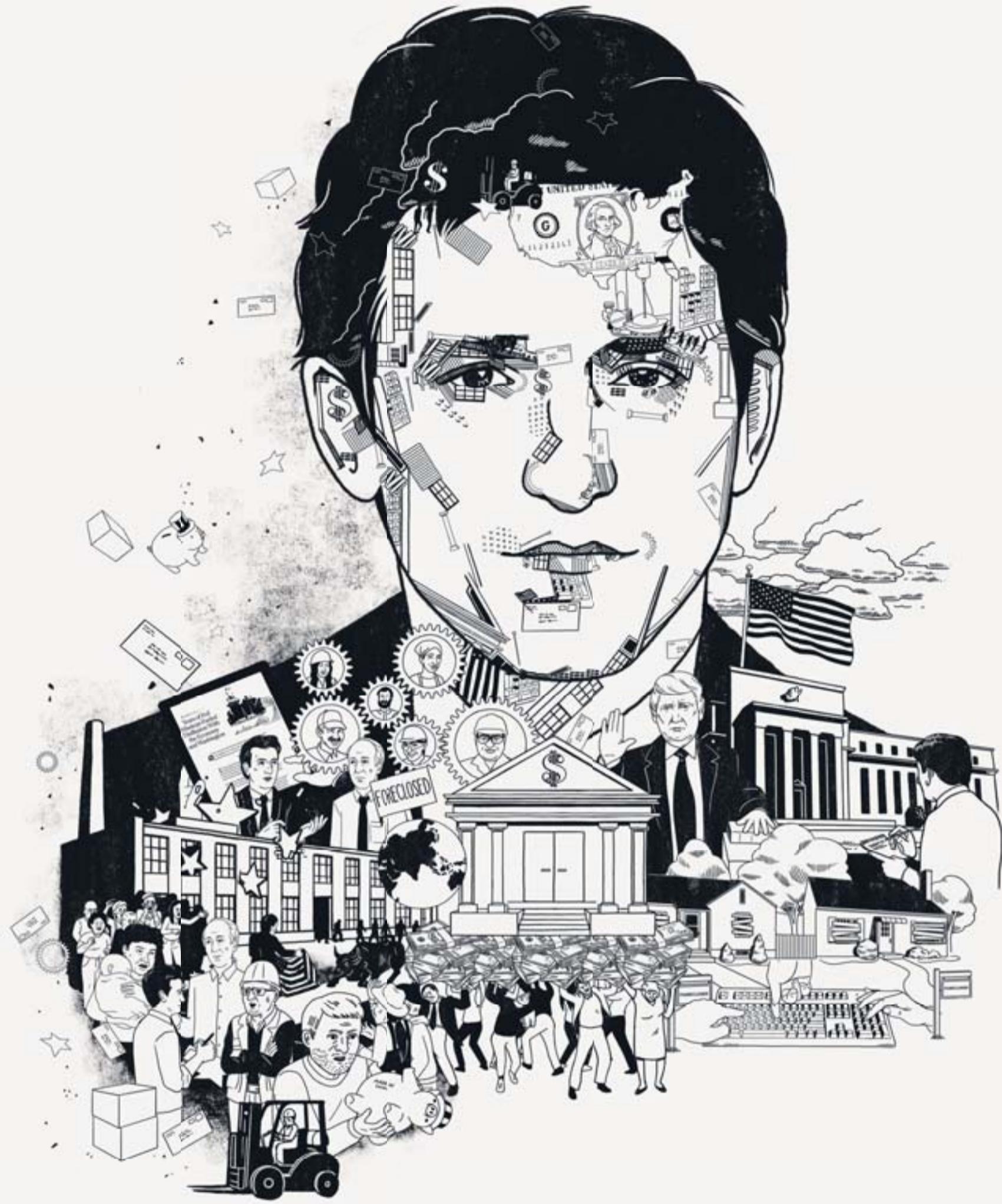
tive of Fidelity & Guaranty.

♦ Bowdeya Tweh

and Leslie Scism

SNYDER'S-LANCE

<h3



JON HILSENARTH ECONOMICS EDITOR

The Face of Real News

Jon Hilsenrath's investigation into the economic workings of America's heartland uncovered the brewing dissatisfaction that led to the election of Donald Trump.

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#TheFaceOfRealNews

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BUSINESS NEWS

Lawyer Ads On Drugs Stir Debate

Lawmaker is critical of TV commercials that warn of side effects, solicit patients as clients

BY SARA RANDAZZO AND JONATHAN D. ROCKOFF

Plaintiffs' lawyers have long solicited clients through television advertisements that warn of a drug's potentially harmful side effects.

Now, a powerful congressman, backed by the leading doctors' group and some drug companies, is pushing back, saying the ads are to blame for patients suffering harm or even dying after dropping treatment. Rep. Bob Goodlatte (R., Va.), chairman of the House Judiciary Committee, wants the ads to include a warning that patients should talk with their doctors before adjusting medication.

"Have you or a loved one been prescribed the blood thinner Xarelto as a treatment for reducing the risk of stroke?" one such advertisement begins, before detailing possible harms from the Johnson & Johnson drug and the prospect of com-

pensation. "Remember, these drugs are linked to serious and potentially fatal health problems, including serious and sometimes fatal internal bleeding," the spot concludes. "Call for more information and a free case review."

J&J referred questions to John Beisner, who heads the mass-torts group at Skadden, Arps, Slate, Meagher & Flom LLP and has represented J&J and other drug companies. The ads "really are designed to scare potential claimants," he said.

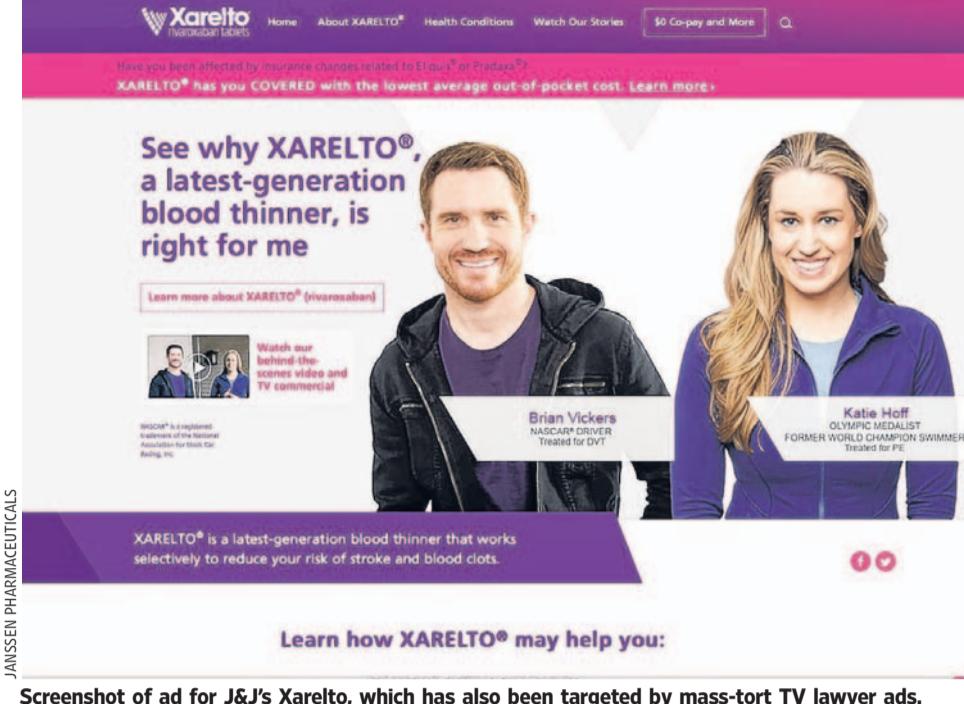
Mr. Goodlatte sent letters to state and national attorney bar associations last month, calling on them to better regulate the ads. The push follows a recommendation made by the American Medical Association to include disclaimers in the ads not to make medical decisions without consulting a doctor.

The letters point to a recent review of safety reports to the Food and Drug Administration, conducted by J&J's Janssen Pharmaceuticals business, that identified 28 cases of strokes and other serious side effects, including two deaths, of patients who health-care professionals say stopped using Xarelto after watching TV ads.

cum-powder ads from trial lawyers than any other U.S. media market from July 2015 to July 2016, despite being the 25th-largest media market. A survey of St. Louis residents cited in court documents found that a majority of respondents had seen such an ad within the previous few days and held an "unfavorable" view of talcum powder.

A judge rejected the company's move requests. J&J won the most recent trial last month but lost the other three, which led to verdicts totaling more than \$194 million that are now on appeal.

A fifth trial alleging the company's talc is tied to ovarian cancer started in St. Louis last week.



Screenshot of ad for J&J's Xarelto, which has also been targeted by mass-tort TV lawyer ads.

American Bar Association President Linda Klein said in a response to Mr. Goodlatte that while it is unfortunate if anyone suffered ill consequences by misunderstanding the ads, attorneys have a First Amendment right to advertise and the public benefits from knowing if drugs are potentially harmful.

Backers of the ads say the pushback is the latest attempt at tort reform by corporate interests and that lawsuits uncover dangers that drugmakers try to play down or hide from the public. They point to major civil settlements, such as Merck & Co. agreeing in 2007 to pay \$4.85 billion over its pain medication Vioxx.

"I can assure you, lawyers have saved a hell of a lot more

lives than they're taking with these ads," said Matt Daniel, a mass tort lawyer in Texas whose firm spends close to \$20 million a year on TV advertising.

Xarelto was the drug most targeted by mass-tort TV lawyer ads in the U.S. last year, according to an analysis by data-analytics firm X Ante of data from Kantar Media CMAG. Lawyers spent an estimated \$37 million on 128,800 national television ads related to Xarelto, Kantar data shows. That is compared with an estimated \$93 million J&J spent to advertise the drug in 31,370 TV spots. Local cable ads not captured by the data could boost the attorney spending, Kantar said.

The competing advertisements face different levels of

scrutiny.

All drug-company advertisements are subject to FDA rules, including a requirement that ads disclose a drug's risk of side effects, and the agency can stop broadcast of an ad and seek changes if it doesn't follow regulations. By contrast, the lawyer ads must conform to attorney ethics rules mandated by state bar associations requiring marketing to be honest and not fraudulent.

While the ads technically fall under Federal Trade Commission jurisdiction, the agency has never pursued an investigation or action against mass tort attorney ads, said Mary Engle, the FTC's director of ad practices. "We have to target our resources," she said.

Drugs on Trial

Mass-tort lawyers targeted these drugs the most in TV commercials in 2016, claiming they had dangerous side effects.

PRODUCT	NUMBER OF AD SPOTS	COMPANY
Xarelto (Blood thinner)	128,798	Johnson & Johnson
Pradaxa (Blood thinner)	100,441	Boehringer Ingelheim
Talcum Powder (Baby powder)	56,211	Johnson & Johnson
Invokana (Diabetes)	32,374	Johnson & Johnson
Taxotere (Cancer chemotherapy)	23,524	SANOFI
Faxigiga (Diabetes)	22,292	AstraZeneca
Jardiance (Diabetes)	22,151	Lilly
Glyxambi (Diabetes)	22,053	Boehringer Ingelheim
Xigduo (Diabetes)	22,053	AstraZeneca
Nexium (Heartburn)	17,269	Pfizer

Source: Kantar CMAG data via X Ante

THE WALL STREET JOURNAL.

BP Says Well Leak Is Under Control

BY DAN MOLINSKI

BP PLC and local and federal authorities brought under control an onshore well on the North Slope of Alaska that began leaking oil and gas last week, the company said.

"Overnight the Unified Command achieved source control, and killed the well," Dawn Patience, a BP spokeswoman in Anchorage, said Monday by email, referring to a task force that included BP, the Alaska Department of Environmental Conservation and the U.S. Environmental Protection Agency.

The total amount of oil spilled and whether the crude affected the snow-covered tundra nearby isn't clear, though authorities have expressed confidence the crude contamination is contained within a gravel area directly surrounding the well site.

The spokeswoman for the U.K.-based company said the problems with the well may have a slight impact on production. "The incident is unlikely to noticeably impact overall North Slope production," Ms. Patience said.

The leak was discovered Friday morning when BP employees saw crude oil spraying out of the top of the well, located at Prudhoe Bay on the North Slope. The spray of crude, along with "minor" oil leakage over the past few days, was fairly isolated and stopped leaking altogether Sunday, according to a statement from the Alaska Department of Environmental Conservation.

BP's operations in and around Prudhoe Bay account for about 55% of Alaska's oil and gas production, according to the company. The oil giant has had several spills and leaks in Alaska over the years.

A 2006 spill caused by a corroded pipeline released almost 4,800 barrels of crude, making it the worst oil spill on the North Slope up to that point.

Pay Queries in Job Interviews Under Fire

BY KELSEY GEE

The most awkward part of a job interview may soon disappear, as a rash of cities and states consider laws barring employers from asking how much applicants already make.

Hiring managers in New York City could soon be fined for looking into—or asking about—a job seeker's salary or benefits in a past role, based on a bill that awaits Mayor Bill de Blasio's signature. The measure, approved by a city council vote last week, adds private-sector companies to the list of city agency employers forbidden from using that information in pay negotiations.

The latest legislative move escalates mounting pressure on companies to address discrepancies in the way women and minority workers are paid. Massachusetts and Philadelphia have in the past year approved bans on previous-salary inquiries, and similar restrictions are up for debate in over a dozen local legislatures from Washington, D.C., to Texas.

For every dollar a white male earned in 2015, women and minorities made around 80 cents or less, according to the latest census data. Proponents of salary-history bans say this pay gap could be narrowed if managers ignored past wage figures, which could be unfairly low or irrelevant to new positions.

"Asking about a candidate's salary history hurts women who may not have been paid enough in a previous job, as the biased figure follows them into their next job," said Evelyn Murphy, an economist and co-chairwoman of a women's workforce council in Boston, where she advocated for the Massachusetts law that takes effect July 2018.

Not everyone agrees. The Philadelphia Chamber of Commerce sued last week

to halt the rollout of the city's ban, which is scheduled to take effect next month, arguing the ordinance infringed businesses' free-speech rights. An attorney representing telecom giant Comcast Corp., based there, and other chamber members sent a letter in December to the city solicitor warning of "likely legal challenges" if the measure isn't vetoed.

Christina Wong, vice president of ESM Productions in Philadelphia, said her small staff would struggle to hire the roughly 1,500 temporary camera crew members, set designers and others to stage and operate conferences and concerts each year. Since the company operates in markets of varying sizes across the globe, she said, the firm gauges local pay by asking for a worker's typical rate.

Others argue that bans are unlikely to address the real origins of pay imbalance. "If you want to talk about pay inequity look at the people who get promoted within a company."

Men begin outearning women almost immediately upon entering the workforce, even if they share the same college major or occupation. In 2016, degree-holding men age 21 to 24 earned \$20.94 an hour on average, compared with \$16.58 for women, according to an analysis by the left-leaning Economic Policy Institute.

That gap widens if managers use past pay to set future salaries, advocates of the new laws say, which is why employers should set clearer pay expectations for the specific role.

Men are typically more willing to negotiate salaries—and more richly rewarded for doing so, management researchers have found. Meanwhile, women are often penalized for coming across as overly aggressive, the researchers say, adding to the awkwardness and potential cost of pay discussions.

Buffer, a social-media software company based in California, uses a public salary formula to determine pay for all employees using factors such as job location and the industry rate for different positions, but not prior compensation.

"Had Buffer asked me what I made at my last job, I would probably be making \$40,000 less," said Hailley Griffis, a public-relations specialist for the firm. Her salary doubled to \$90,000 last year when she joined Buffer from a similar role at another San Francisco tech company.

"It would have taken me years to get to where I am salary-wise if they hadn't paid me what they thought the role was worth," she said. Across the 75-person staff, women outearn men in each role by 1% to 3%, Ms. Griffis added.



For every dollar a white male earned in 2015, women and minorities made around 80 cents or less.

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BUSINESS OPPORTUNITIES



Navi Mumbai Municipal Corporation

CORRIGENDUM

Tender notice No. NMMC/B-1/334/2016-2017.

The last date of Bid submission of tender for work of DETAILED DESIGN CONSULTANCY FOR LONG SPAN CABLE STAY BRIDGE, PREPARATION OF TENDER DOCUMENT, SELECTION OF CONTRACTOR (ON ITEM RATE BASIS) AND PROJECT MANAGEMENT CONSULTANCY FOR 1.95 KM APPROX. OF CONNECTING MISSING LINK BETWEEN GHANSOLI AND AIROLI HAVING MANGROVES AND CREEK ON PALM BEACH ROAD, NAVI MUMBAI, was scheduled on 15/04/2017. However, for technical reason, the last date of bid submission, tender download and tender preparation of said tender is extended up to 25/05/2017 up to 13.00 Hrs. The other terms and conditions of tender will remain same.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average



S&P 500 Index



Nasdaq Composite Index



Major U.S. Stock-Market Indexes

	Dow Jones		Latest		52-Week		YTD		% chg	
	High	Low	Close	Net chg	% chg	High	Low	% chg	3-yr. ann.	
Industrial Average	20644.41	20484.75	20636.92	183.67	■ 0.90	21115.55	17140.24	14.6	4.4	7.9
Transportation Avg	8990.66	8876.88	8990.42	115.86	■ 1.31	9593.95	7093.40	12.3	-0.6	5.6
Utility Average	706.34	702.94	706.17	3.02	■ 0.43	720.45	625.44	6.3	7.1	9.2
Total Stock Market	24342.15	24158.89	24341.75	216.55	■ 0.90	24868.78	20583.16	13.0	4.6	7.6
Barron's 400	617.10	611.65	617.09	6.20	■ 1.01	635.07	491.89	17.1	2.6	6.3

* P/E data based on as-reported earnings from Birinyi Associates Inc.

Nasdaq Stock Market

	Nasdaq Composite		Nasdaq 100	
	High	Low	Close	Net chg
Nasdaq Composite	5856.79	5818.20	5856.79	51.64
Nasdaq 100	5399.20	5367.59	5399.20	45.61

Standard & Poor's

	500 Index		MidCap 400		SmallCap 600					
	High	Low	Close	Net chg	% chg	High	Low	Close	Net chg	% chg
500 Index	2349.14	2332.51	2349.01	20.06	■ 0.86	2395.96	2000.54	12.2	4.9	8.0
MidCap 400	1700.71	1681.36	1700.66	19.62	■ 1.17	1758.27	1416.66	15.6	2.4	8.0
SmallCap 600	825.44	816.66	825.24	9.62	■ 1.18	862.21	670.90	18.3	-1.5	7.9

Other Indexes

	Russell 2000		NYSE Composite		Value Line		NYSE Arca Biotech		NYSE Arca Pharma		KBW Bank		PHLX® Gold/Silver		PHLX® Oil Service		PHLX® Semiconductor		CBOE Volatility	
	High	Low	Close	Net chg	% chg	High	Low	Close	Net chg	% chg	High	Low	Close	Net chg	% chg	High	Low	Close	Net chg	% chg
Russell 2000	1361.25	1345.36	1361.18	15.94	■ 1.18	1413.64	1089.65	19.5	0.3	6.2										
NYSE Composite	11427.24	11343.26	11427.08	102.55	■ 0.91	11661.22	9973.54	9.6	3.3	2.8										
Value Line	513.34	508.37	513.34	4.97	■ 0.98	529.13	435.06	11.3	1.4	1.8										
NYSE Arca Biotech	3534.16	3492.82	3529.80	4.25	■ 0.12	3642.30	2818.70	9.0	14.8	13.0										
NYSE Arca Pharma	506.47	503.76	505.83	0.49	■ 0.10	554.66	463.78	-2.1	5.0	0.9										
KBW Bank	89.79	87.80	89.69	1.67	■ 1.90	99.33	60.27	33.5	-2.3	9.1										
PHLX® Gold/Silver	90.19	88.82	89.36	-0.04	■ -0.05	112.86	73.03	13.9	13.3	-0.3										
PHLX® Oil Service	165.19	163.53	164.62	0.30	■ 0.18	192.66	148.37	1.1	-10.4	-17.9										
PHLX® Semiconductor	972.69	964.66	972.56	12.55	■ 1.31	1012.29	630.77	44.3	7.3	18.9										
CBOE Volatility	16.28	14.60	14.66	-1.30	■ -8.15	25.76	10.58	9.8	4.4	3.1										

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Mkt and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 5,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
SPDR S&P 500	SPY	11,177.9	234.45	-0.12	■ -0.05	234.62		

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract Open	High	hilo	Low	Settle	Chg	Open interest
Oct	3,400	3,426		3,358	3,370	-0.04	131,410
Jan'18	3,660	3,670		3,616	3,627	-0.03	94,466

Agriculture Futures

	Contract Open	High	hilo	Low	Settle	Chg	Open interest
Copper-High (CMX)	25,000 lbs.; \$ per lb.						
April	2,5855	2,5990		2,5850	2,5950	0.0255	896
July	2,5775	2,6250		2,5720	2,6100	0.0240	89,964
Gold (CMX)	100 troy oz.; \$ per troy oz.						
April	1291.80	1294.80	▲	1284.30	1289.40	3.50	1,120
June	1292.40	1297.40	▲	1283.10	1291.90	3.40	344,703
Aug	1294.80	1300.30	▲	1286.80	1295.10	3.40	45,858
Oct	1300.30	1303.10	▲	1290.20	1298.30	3.30	7,417
Dec	1300.80	1307.00		1293.40	1301.60	3.30	47,867
Feb'18	1309.00	1309.00	▲	1297.10	1304.90	3.30	7,883
Palladium (NYM)	50 troy oz.; \$ per troy oz.						
April	979.00	979.00		979.00	978.40	-7.35	1
May	805.00	805.00		794.00	788.40	-7.35	2
June	793.75	798.00		786.60	788.55	-7.35	32,221
Sept	795.60	797.50		789.10	788.90	-7.35	1,854
Platinum (NYM)	50 troy oz.; \$ per troy oz.						
April	976.20	977.70		972.70	987.50	13.80	43
July	977.90	993.00	▲	975.60	991.10	13.70	60,330
Silver (CMX)	5000 troy oz.; \$ per troy oz.						
April	18,430	18,435		18,430	18,493	0.004	80
May	18,585	18,655	▲	18,370	18,514	0.004	129,507
Crude Oil, Light Sweet (NYM)	1,000 bbls.; \$ per bbl.						
May	52.97	53.21		52.55	52.65	-0.49	167,578
June	53.34	53.63		53.02	53.11	-0.47	547,542
July	53.63	53.95		53.38	53.47	-0.46	214,682
Sept	54.17	54.41		53.83	53.96	-0.43	188,960
Dec	54.53	54.79		54.21	54.35	-0.40	272,318
Dec'18	54.00	54.28		53.69	53.87	-0.30	127,795
NY Harbor LULSD (NYM)	42,000 gal.; \$ per gal.						
May	1,6470	1,6505		1,6314	1,6329	-0.166	70,935
June	1,6576	1,6585		1,6404	1,6421	-0.154	110,840
Gasoline-NY RBOB (NYM)	42,000 gal.; \$ per gal.						
May	1,7333	1,7413		1,7175	1,7196	-0.153	80,343
June	1,7378	1,7448		1,7215	1,7261	-0.128	112,013
Natural Gas (NYM)	10,000 MMBtu; \$ per MMBtu.						
May	3,229	3,249		3,158	3,163	-0.064	154,356
June	3,311	3,324		3,246	3,251	-0.056	196,940
July	3,378	3,394		3,319	3,327	-0.049	177,006
Sept	3,388	3,411		3,344	3,352	-0.047	129,796

Cash Prices | WSJ.com/commodities

Monday, April 17, 2017

These prices reflect buying and selling of a variety of actual or "physical" commodities in the marketplace—separate from the futures price on an exchange, which reflects what the commodity might be worth in future months.

	Monday	Monday	Monday	Monday
Energy				
Propane,tet,Mont Belvieu-g	0.6877			
Butane,normal,Mont Belvieu-g	0.8564			
Natural Gas,HenryHub-g	3.060			
Natural Gas,TranscoZone3-i	3.010			
Natural Gas,TranscoZone6NY-i	2.970			
Natural Gas,PanhandleEast-i	2.720			
Natural Gas,Opal-i	2.760			
Natural Gas,MarcellusNE PA-i	2.500			
Natural Gas,HaynesvilleLA-i	2.950			
Coal,Aplic,1,250,000Btu,1,250,2-rw	52,450			
Coal,PwdrRvrBsn,880,000Btu,0.8502-rw	11,750			
Metals				
Gold, per troy oz				
Engelhard industrial	1290.64			
Engelhard fabricated	1387.44			
Handy & Harman base	1289.50			
Handy & Harman fabricated	1431.34			
LBMa Gold Price AM				
LBMa Gold Price PM				
Kruegerand,wholesale-e	1341.81			
Maple Leaf-e	1354.71			
American Eagle-e	1354.71			
Mexican peso-e	1563.59			
Austria crown-e	1267.65			
Austria phil-e	1354.71			
Silver, troy oz.				
Engelhard industrial	18,5300			
Engelhard fabricated	22,2360			
Handy & Harman base	18,5150			
Handy & Harman fabricated	23,1440			
LBMA spot price	Closed			
(U.S.\$ equivalent)	Closed			
Metals				
Gold, per troy oz				
Engelhard industrial	1290.64			
Engelhard fabricated	1387.44			
Handy & Harman base	1289.50			
Handy & Harman fabricated	1431.34			
LBMa Gold Price AM				
LBMa Gold Price PM				
Kruegerand,wholesale-e	1341.81			
Maple Leaf-e	1354.71			
American Eagle-e	1354.71			
Mexican peso-e	1563.59			
Austria crown-e	1267.65			
Austria phil-e	1354.71			
Fibers and Textiles				
Burlap,10-oz,40-inch NY yd-n,w	0.6075			
Cotton,11/16 std lw-mdMphs-u	0.7567			
Cotlook' A' Index-t	*Closed			
Hides,hyv native steer's piece fob-u	4.11			
Wool,64s,staple,Terr del-u,w				
Grains and Feeds				
Barley,top-quality Mnpls-u	n.a.			
Bran,wheat middlings,KC-u	63			
Corn,No.2 yellow,Cent Il-bp,u	3,4400			
Corn gluten feed,Midwest-u,w	81.5			
Corn,gluten meal,Midwest-u,w	500.2			
Cottonseed meal,u,w	195			
Hominy feed,Cent Il-u,w	95			
Meat-bonemeal,50% pro Mnpls-u,w	270			
Oats,No.2 milling,Mnpls-u	2,8175			
Rice,5% Broken White,Thailand-l,w	356.00			
Soybean oil,crude,Milw,Ill-u,w	20.25			
Sorghum,(Milo) No.2 Guif-u	6,8575			
SoybeanMeal,Cent IL,rail,ton48%-u	305.90			
Inflation				
March index	Latest	Week ago	-52-Week-High	-52-Week-Low
Chg From (%) level	Feb: 17 March '16			
U.S. consumer price index				
All items	243.801	0.08	2.4	
Core	251.290	0.06	2.0	
International rates				
Latest	Week ago	-52-Week-High	-52-Week-Low	
Prime rates				
U.S.	4.00	4.00	4.00	3.50
Canada	2.70	2.70	2.70	2.70
Japan	1.475	1.475		

BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE MKT and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq OMX BXSM (formerly Boston), Chicago Stock Exchange, CBOE, National Stock Exchange, ISYE and BATS. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, April 17, 2017

Net

Stock Sym Close Chg

BANKING & FINANCE

Fed Pick on Collision Course Over Rates

Quarles's support for use of formula sets up conflict with current central-bank members

By KATE DAVIDSON AND RYAN TRACY

WASHINGTON—President Donald Trump's expected choice to be vice chairman at the Federal Reserve has called for setting interest rates using a formula, setting up a clash with current officials who have warned such an approach could undermine the central bank's effectiveness.

Randal Quarles, an investment-fund manager from Utah, is expected to be selected as the Fed's vice chairman for bank supervision, a senior official said. The White House hasn't yet announced its final decision, and neither a White House spokeswoman nor Mr. Quarles responded to requests for comment Monday.

Mr. Quarles has criticized the Fed's policy of keeping interest rates near zero and called for a monetary-policy rule, or formula, to guide rate decisions—a policy that is

popular among some conservatives but has less support among GOP centrists.

The Fed's low rate-policy has "led to a rise in speculative positions across a wide range of asset classes, as all financial institutions find themselves under intense pressure to seek adequate returns," Mr. Quarles said in a March 2016 Wall Street Journal op-ed that he co-wrote, arguing that a rule for monetary policy would help normalize interest rates and reduce the incentive for big banks and smaller firms to take dangerous risks.

In a 2015 television interview he said that by not following a rule, the Fed contributed to instability in financial markets. With a rule in effect "there will be certainty in the market as to what the consequences will be," he said.

Fed Chairwoman Janet Yellen and other central-bank officials have objected to GOP legislation that would require the Fed to hew more closely to a monetary-policy rule, arguing it could subject the central bank to short-term political pressure.

Speaking at the University of Michigan last week, Ms. Yellen

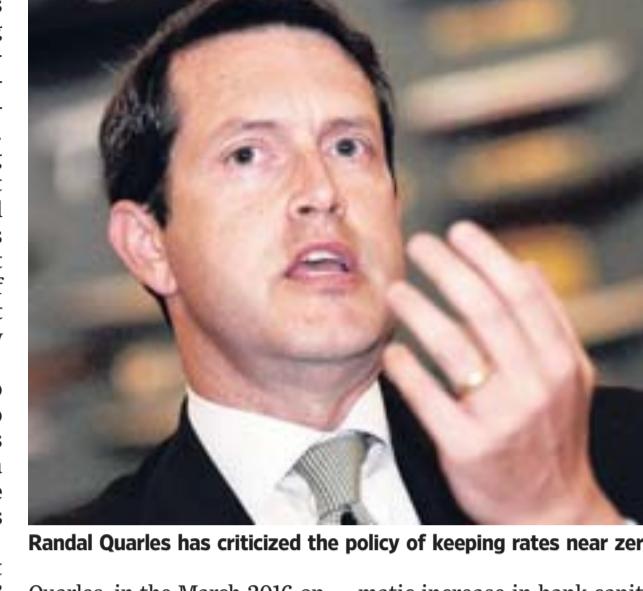
said the measure "goes even further in interfering with our monetary policy independence" than efforts to subject the Fed's interest-rate decisions to government audits.

Asked in a 2015 Bloomberg television interview about whether his approach would politicize the Fed, Mr. Quarles said: "I actually think that it increases the politicization of monetary policy by having it driven by these discretionary decisions."

If his nomination is sent to the Senate for approval, it also may disappoint some populists and conservatives by putting a more moderate voice in charge of overseeing the nation's largest financial firms.

Mr. Trump's "picks have not been in that populist bucket," said Edward Mills, a policy analyst at FBR & Co., pointing to Treasury Secretary Steven Mnuchin and White House National Economic Director Gary Cohn, both former investment bankers. Mr. Quarles "would continue that pattern."

Mr. Trump and his top advisers say they want to pursue a modern version of the Glass-Steagall Act, which could break up huge banks. Mr.



KEITH BEDFORD/REUTERS

Randal Quarles has criticized the policy of keeping rates near zero.

Quarles, in the March 2016 op-ed article, denounced "arbitrarily taking an ax to big banks and irreparably damaging the economy."

Some conservative Republicans believe financial deregulation should be paired with a significant boost in bank capital requirements.

Mr. Quarles's op-ed endorsed a review of postcrisis regulations but warned that "the consequence of a dra-

matic increase in bank capital is an increase in the cost of bank credit."

Mr. Trump's team is said to have considered candidates outside of traditional Republican circles over the past five months.

Mr. Quarles has donated to Republican candidates for years, served in the Treasury Department of both Bush administrations and was mentioned in 2012 as a contender

for Mitt Romney's economic team.

Mr. Quarles held senior posts in the Treasury Department under President George W. Bush, working among other things on international regulatory policy discussions—an area where he could exert influence if appointed to the Fed vice chairman role.

He left the government in 2006 and was a managing director at the Carlyle Group private-equity firm, investing in troubled banks. He is currently managing director at Cynosure Group.

The Fed vice chairman's job is just one of several decisions facing the White House as it seeks to put its mark on the U.S. central bank. Two other seats on the Fed's seven-member governing board are vacant, and Ms. Yellen's term as Fed chairwoman expires in February 2018.

Mr. Trump's team is considering nominating a Fed vice chairman for supervision at the same time as it puts forward one or two other Fed candidates, according to people familiar with the matter.

None of the nominees have been officially announced.

M&T Bank Results Top Estimates

By CHRISTINA REXRODE

M&T Bank Corp. led financial shares higher after reporting earnings that beat expectations, helped by the recent uptick in interest rates.

The Buffalo, N.Y., bank also reported increased lending from a year ago, though its chief financial officer cautioned against assuming that loan demand would continue at the same speed.

"Loan growth, despite the optimism for change and a more business-friendly administration, has yet to materialize in a meaningful way," Chief Financial Officer Darren King said in a call with analysts on Monday.

Still, the bank's shares rose 3.9%, well ahead of the 1.9% gain in the KBW Nasdaq Bank Index.

Donald Trump's surprise win in the presidential election in November sent bank stocks higher. But analysts and investors have wondered whether the stock market gains will translate into loan demand.

At M&T, run by Chairman and CEO Robert Wilmers, both commercial and consumer lending were up from the first quarter in 2016.

Mr. King said there is "still reason for optimism," but he added that the bank's outlook for 2017 loan growth is "a little lower than it was in January."

The regional bank's results were similar to those of **PNC Financial Services Group Inc.**, which reported earnings last week that beat expectations. PNC and M&T are among the first regional lenders to disclose first-quarter earnings, setting the tone for the rest of the banks. **Regions Financial Corp.** is slated to report Tuesday.

At larger banks that have reported earnings, including **Wells Fargo & Co.** and **J.P. Morgan Chase & Co.**, the lending picture has been more mixed, though trading helped the bottom line at both **J.P. Morgan** and **Citigroup Inc.**

M&T posted earnings per share of \$2.12, above the \$1.93 analysts expected. Net interest margin, a key measure of lending profitability, and net interest income both rose, in part due to a rise in short-term interest rates.



Tuesday's Results: What to Watch

BANK OF AMERICA

◆ **Rising Rates:** Bank of America is expected to benefit more than its peers from higher interest rates. The quarter's results will reveal how the actual lift from higher rates—which banks have anticipated for years—stacks up against the bank's own expectations. The lender has said it expects net interest income to increase about \$600 million from the fourth quarter.

◆ **Loan Growth:** Keep an eye on how much the industrywide slowdown in loan growth affects the bank. **J.P. Morgan Chase & Co.** and **Wells Fargo & Co.** reported declines in lending growth in their first-quarter earnings reports last week and other metrics have signaled a

marked slowdown in business-related lending. Slowing loan growth could detract from the benefit that banks get from higher rates.

◆ **D.C. Commentary:** Bank of America shares have risen 31% from the election through last week partially on hopes that the Trump administration will give banks regulatory relief and tax reform. Watch to see if CEO Brian Moynihan weighs in on what J.P. Morgan CEO James Dimon last week called the "sausage-making period" of a president's first months or reports that a new Federal Reserve official overseeing banks could be named soon.

—Rachel Louise Ensign

GOLDMAN SACHS

◆ **Trading in the Spotlight:** Goldman and its peers have strung together three decent quarters of trading revenue, but nobody is sold on a lasting

rebound. The first quarter is traditionally the strongest, as asset managers set priorities for the year and corporations renew standing hedges.

◆ **Fewer M&A Deals:** A slowdown in mergers closing in the quarter bodes poorly for another of Goldman's key profit engines. U.S. takeovers completed in the quarter fell 10% from a year ago, the lowest by dollar value since 2013, according to FactSet.

◆ **A \$450 Million Boost:** Goldman is expecting a lift to earnings of up to \$450 million from a new accounting rule that affects the tax benefits it gets when employees exercise stock options. Other companies have reported similar gains. Compensation is doled out at big banks early in the year, and Goldman pays out more of its compensation in stock than rivals.

—Liz Hoffman

Net interest margin rose to 3.34% from 3.18% a year earlier and from 3.08% in the December quarter. This drove an increase of taxable equivalent net interest income to \$922 million from \$878 million a year earlier.

The Federal Reserve raised its target short-term rate in both December and March, welcome news to banks that have been crimped from charging higher rates on loans. Still, Mr. King noted that higher rates have at least one

disadvantage for banks: They challenge mortgage banking, where consumers are influenced to buy when rates are low. Consumer real-estate loans were down.

—Austen Hufford contributed to this article.

Chain Taps Tech Executive From Goldman

By TELIS DEMOS

Chain Inc. has hired a senior technology executive from **Goldman Sachs Group Inc.**, Tom Jessop, to boost its efforts deploying the technology behind bitcoin.

Mr. Jessop, who spent about 17 years at Goldman Sachs, most recently led global technology business development at the Wall Street firm. At Chain, which started in 2014 and is based in San Francisco, he will be president, working closely with Chief Executive Adam Ludwin, the

company said Monday.

Mr. Jessop is the latest in a steady stream of bankers with a technology bent leaving to work at financial-technology startups, particularly those focused on blockchain, a broader term for the type of peer-to-peer network that was first used by digital currency bitcoin.

Early on, some fintech startups dreamed of disrupting Wall Street and displacing traditional banks. But many startups now say it will be more effective, and lucrative, to join with the incumbents.

Mr. Jessop, who aims to open a New York office for the firm, is expected to work on such partnerships.

"On Wall Street, there's a lot of good work happening, but it's going to take a long time for things to evolve," he said. "You are dealing with a regulatory regime and legacy technology."

Among the projects Mr. Jessop worked on at Goldman Sachs, as a top executive in its principal investments team, were electronic trading venues such as Direct Edge and Japannext.

Chain makes money licensing a more secure and robust version of its open-source blockchain networking platform.

Last year it said it was working with **Visa Inc.** on a new system for business-to-business payments.

In 2015, Chain raised \$30 million in a round from Visa, **Capital One Financial Corp.**, Nasdaq Inc., the Citi Ventures unit of **Citigroup Inc.**, and others.

It also has venture-capital backers including **Khosla Ventures** and Thrive Capital.

Underpriced Risk

The yield spread between China's riskiest and safer corporate bonds is the narrowest on record.

Five-year corporate bond-yield spread

2.5%

2.0

1.5

1.0

0.5

0

Source: Wind Info

Corporate bonds due to mature

6 trillion yuan

5

4

3

2

1

0

2010 11 12 13 14 15 16 17

THE WALL STREET JOURNAL.

CREDIT MARKETS

Bonds Slip on Eased Geopolitical Tension

By MIN ZENG

U.S. government bonds fell Monday, following the market's biggest weekly rally since June, as haven demand driven by geopolitical tensions pulled back.

The yield on the 10-year Treasury note settled at 2.248%, up from 2.237% Thursday. Yields rise as bond prices fall.

U.S. stocks strengthened on Monday, a sign that risk appetite improved. Traders said the calmer tone in some riskier markets along with a lack of further headlines on geopolitical jitters drove some investors to reduce Treasury bondholdings.

"There wasn't a more material increase in near-term geopolitical risks," said Mark Cabana, head of U.S. short-rate strategy at Bank of America Merrill Lynch.

The U.S. bond market was shut Friday. European markets remained closed Monday following Easter. Trading volume

in the Treasury bond market Monday was 54% of a 10-day average, which may have exaggerated bond price swings, said Ian Lyngen, head of U.S. rates strategy at BMO Capital Markets.

Tensions over North Korea had driven investors piling into haven bonds earlier Monday, sending down the 10-year yield to a five-month low of 2.198% during the Asian trading session.

Vice President Mike Pence on Monday warned North Korea not to push President Donald Trump, calling the recent American military strikes on Syria and Afghanistan an example of Washington's strength.

The comment came following North Korea's failed missile test over the weekend.

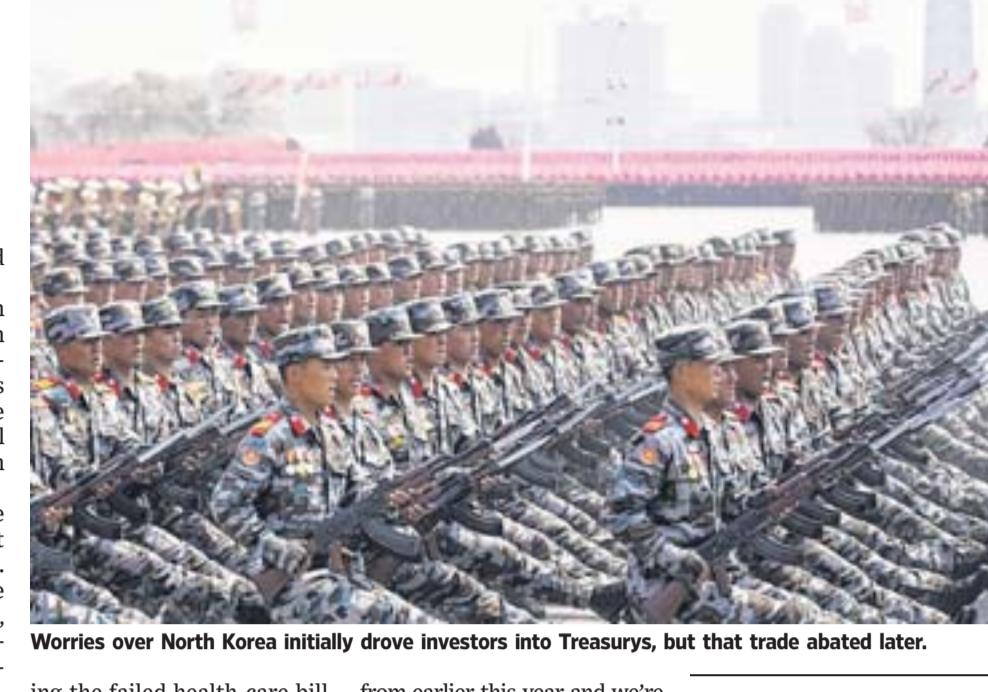
"The move to these low yield levels has been driven by the geopolitical fear, and the market will need more escalation to push yields down further," said Thomas Roth, executive director in the rates trading group at MUFG Securi-

ties Americas Inc. "The bond market will remain jumpy."

Bond yields had also fallen earlier in a catch-up reaction to weak economic releases Friday, traders said. Retail sales fell 0.2% last month, while the U.S. consumer-price index fell in March for the first time in more than a year.

Treasury yields have dropped sharply over the past few weeks after a recent rise. The yield had traded above 2.6% in mid-March. Last week, the yield declined 0.138 percentage point, the biggest one-week slide since June 2016.

Several factors have driven investors back to the bond market: geopolitical risks in North Korea and Syria; uncertainty surrounding the first round of presidential elections in France later this month; questions over the U.S. growth momentum after a number of disappointing economic releases this month; fading optimism toward Mr. Trump's capability to push through his fiscal-stimulus agenda follow-



Worries over North Korea initially drove investors into Treasurys, but that trade abated later.

ing the failed health-care bill.

These factors have led to a broad retreat of the Trump trade, or bets that large fiscal stimulus including lower taxes and lighter regulations would lead to stronger economic growth and higher inflation. Wagering on higher bond yields, buying stocks and betting on a stronger dollar have been the popular ways for the Trump trade.

"The economic expectations have been lowered significantly

from earlier this year and we're left contemplating if the heightened geopolitical uncertainty, Washington gridlock and tighter monetary policy have simply taken away the economic upside many had been looking for in 2017," said Mr. Lyngen.

Analysts say it is premature to declare that the Trump trade is dead. The 10-year Treasury note remains above 1.867% on Nov. 8—the date of the U.S. election.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

13-WEEK AND 26-WEEK BILLS

	13-Week	26-Week
Applications	\$121,346,659,900	\$103,576,023,700
Accepted bids	\$39,000,178,300	\$33,000,103,700
"noncomp	\$469,074,900	\$398,067,700
"foreign noncomp	\$100,000,000	\$400,000,000
Auction price (rate)	99.792722	99.52250
(0.820%)	(0.945%)	(0.945%)
Coupon equivalent	0.833%	0.963%
Bids at clearing yield accepted	50.61%	76.72%
Cusip number	912796KB4	912796LY3

Both issues are dated April 20, 2017. The 13-week bills mature on July 20, 2017; the 26-week bills mature on Oct. 19, 2017.

BETS

Continued from page B1

nomic and political outlook. Foreign investors poured an estimated net \$29.8 billion into emerging-market stocks and bonds in March, the highest monthly total since January 2015, according to the Institute of International Finance. Nearly three-quarters of that total—\$22 billion—went into Asia.

"There's this capital coming into emerging markets and it needs to be invested somewhere," said Mark Baker, emerging markets fixed-income portfolio manager at Standard Life Investments in Hong Kong.

Long-running tensions between South African President Jacob Zuma and Finance Minister Pravin Gordhan erupted late last month, leading to the ouster of Mr. Gordhan and prompting S&P to downgrade the country's bonds to junk.

While the South African rand has tumbled 7.3% since March 24 in the wake of the political crisis, the losses would likely have been worse if there wasn't an underlying demand for yield.

The South Korean won has rallied 6.2% this year, despite a slowing economy, the ouster of the nation's president, and threats of missile tests by North Korea.

South Korea has been a big destination for foreigners' funds, with around \$4.7 billion going into its stocks and \$8.3 billion into bonds in the first quarter, Australia & New Zealand Banking Group Ltd. estimates. Foreign investors who want South Korean assets must first buy the cur-



Some investors are cutting back on emerging markets. Above, a march in Pretoria against South Africa's president on April 12.

CHENG DAYU/ZUMA PRESS

rency.

Robert Savage, head of Ctrack Solutions, a currency hedge fund, said he has cut back on a wide range of emerging-market positions in the past week, including bets on Korean stocks and bonds.

"It doesn't mean the emerging markets rally is over," Mr. Savage said. "But some caution into these events makes

sense."

A similar story is playing out in Taiwan, where the new Taiwan dollar has gained 6.8% against the U.S. dollar in 2017. Foreign investors sent \$6.3 billion into the nation's stocks in the first quarter, according to ANZ. The country's exports, skewed heavily to technology, rose 13% in March from a year earlier.

But even after taking into account global investors' desperation for yield, the money flows into South Korea and Taiwan don't entirely make sense, some analysts say.

Yields in South Korea and Taiwan are much lower than in other emerging markets and even some developed economies. Yields on the 10-

year bonds in Korea and Taiwan are 2.194% and 1.03%, respectively, well below the 7.044% on 10-year debt in Indonesia and lower than the 2.237% on 10-year U.S. Treasurys.

For many investors, big yields on some emerging-market currencies aren't enough in the face of mounting uncertainty. UBS Wealth

Management recently closed out bets on a basket of currencies that included the Brazilian real, Indian rupee, Russian ruble and South African rand.

"The risk-reward prospects for the trade over the next six months are now less attractive than they were six months ago," the firm said in a note.

EQUITIES

Stocks Turn Up on Earnings Hope

By GUNJAN BANERJI

U.S. stocks posted their biggest gains since the start of March, bouncing back after last week's declines.

Some analysts and investors said optimism about corporate earnings and easing geopolitical concerns helped Monday's rebound.

The Dow Jones Industrial Average rose 183.67 points, or 0.9%, to 20,636.92. The S&P 500 advanced 20.06 points, or 0.9%, to 2,349.01, and the Nasdaq Composite climbed 51.64 points, or 0.9%, to 5,856.79. Monday was the lowest-volume day so far this year.

Some of the move was "a little bit of relief," said Thomas Lee, a managing partner at Fundstrat Global Advisors, as there were concerns about geopolitical risks over the long weekend. North Korea launched a ballistic missile test—that fizzled—followed by warnings from the Trump administration.

Financials led gains in the S&P 500, rising 1.6%. M&T

Bank added \$5.78, or 3.9%, to \$153.71, after the bank's earnings topped analysts' estimates and higher interest rates helped boost lending margins.

The yield on the 10-year Treasury note touched a five-month low before recovering to 2.248% Monday, up from 2.237% Thursday; the bond

report their best quarterly earnings since 2011, according to FactSet.

"The bar is high," said Jeff Zipper, a portfolio manager and managing director at U.S. Bank's Private Client Reserve.

Netflix rose 1.4% in after-hours trading following the video-streaming company's report that its first-quarter subscriber growth came in below expectations. Netflix was one of the biggest gainers Monday, adding 4.33, or 3%, to 147.25. United Continental Holdings rose 0.9% after hours as its adjusted earnings topped Wall Street's expectations.

Twenty-nine of the Dow industrials' 30 components rose. Nike was among the biggest gainers, climbing 90 cents, or 1.6%, to 56.24.

In Asia, the Shanghai Composite Index fell 0.7% after China posted its best quarterly growth figure since 2015. The index was down 0.2% early Tuesday. Japan's Nikkei Stock Average edged up 0.1% Monday, snapping a four-session losing streak, and was up 0.6% early Tuesday.

TAPE

Continued from page B1

two years.

Earnings aren't turning

around either. Analysts expect IBM to earn \$2.35 a share, matching the year-earlier period. They have kept their earnings estimates fairly steady in recent months. Usually, they lower them leading up to an earnings report. That means IBM now finds itself in the rare position of having a higher bar to clear.

Additionally, while only 22% of analysts who cover IBM say the stock is a "buy," that proportion has almost doubled from a few years ago. Recommendations from analysts are often good contrarian indicators when they are near extremes. In mid-2015, IBM had the fewest "buy" ratings in at least 20 years. The stock bottomed months later.

And the company, long a methodical buyer of its own stock, has actually been less so recently.

IBM spent \$3.5 billion and \$4.6 billion on buybacks, respectively, over the past two

years, according to FactSet.

By comparison, it spent an average of about \$14 billion annually on share repurchases over the previous five years.

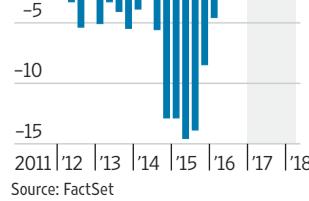
With the stock up and earnings flat, IBM fetches 12.3 times projected earnings over the next 12 months. That is near its highest forward multiple in the past five years and much richer than the 8.5 times it traded at early last year. Its valuation is also pricier than rival HP Inc. and comparable to that of Cisco Systems Inc.

This reboot needs more time.

Feeling Blue

IBM's revenue, change from a year before

Consensus estimates



MAKIKI ELIAN/BLOOMBERG NEWS

Dow component Nike was among the day's biggest gainers.

Source: FactSet
THE WALL STREET JOURNAL.

MARKETS

Just 10 Stocks Fuel Half of S&P's Gains

Investors' focus on these few large shares show herd mentality thrives on Wall Street

By CHRIS DIETERICH

Ten big stocks are exerting an unusually large influence on the S&P 500 in 2017, the latest sign that the herd instinct is alive and well on Wall Street.

Those 10 large stocks have powered nearly 53% of the S&P 500's 4.7% advance this year, according to Fundstrat Global Advisors' data through the middle of last week. During an average year, the 10 stocks with the greatest impact typically account for only 45% of the market's price moves, according to analysis of data from AQR Capital Management.

Technology-oriented companies dominate the list: **Apple Inc.**, the world's largest company by market capitalization, is up more than 22% this year through Monday.

Social-media company **Facebook Inc.** has risen nearly 23%, while e-commerce powerhouse **Amazon.com Inc.** has climbed 20%.

Combined, shares of these three companies account for almost one-third of the S&P 500's 2017 advance through this past Wednesday.

The recent strength in tech and internet companies marks a reversal from late last year, when investors piled into banks, industrials and small-cap stocks in the weeks following November's U.S. elections. They bet that Republican control of Congress and the White House would lead to pro-growth policies.

But as investors began to lose confidence that the policies would be enacted quickly, these sectors have trailed the S&P 500 in recent months. In-

Shoulders of Giants

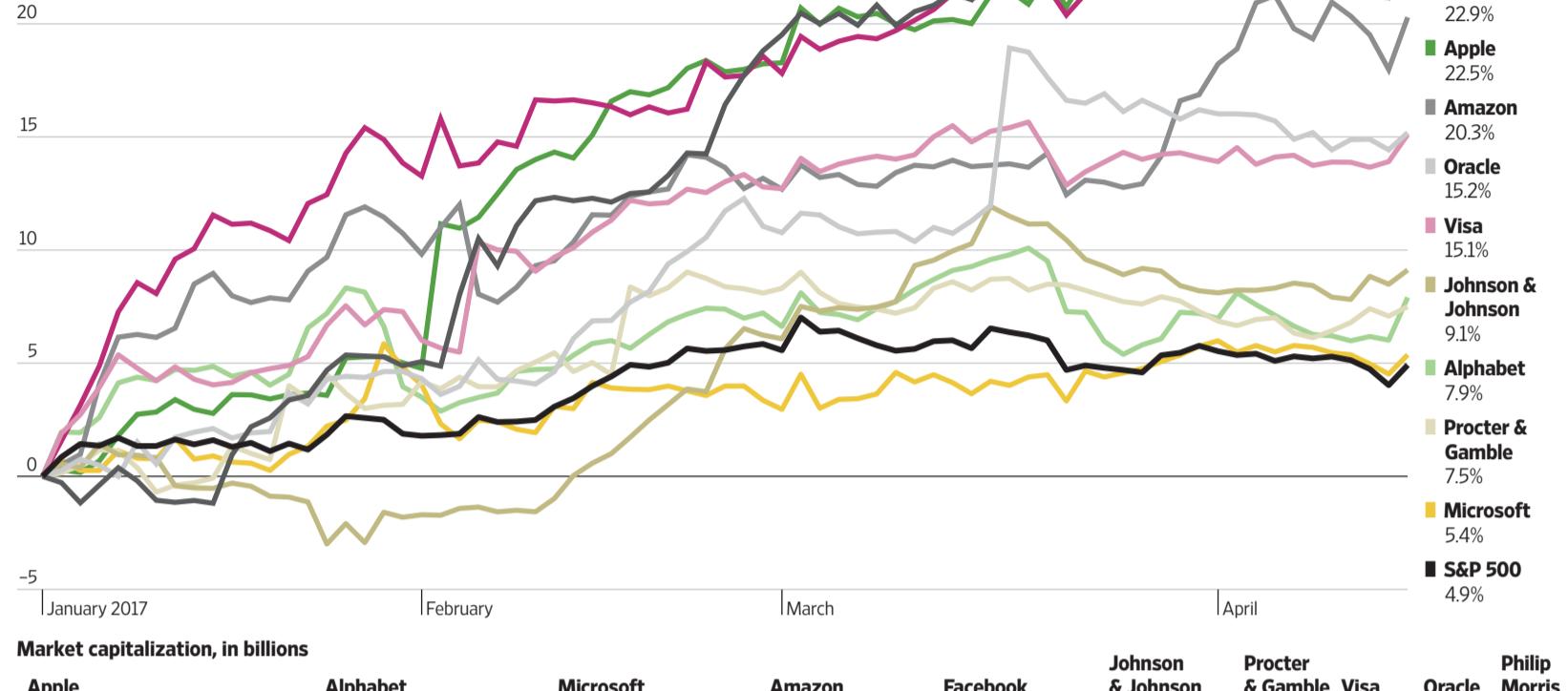
Gains in a handful of stocks, mostly technology and internet, are responsible for 52.5% of the S&P 500's advance in 2017 through Wednesday. Apple, Facebook and Amazon.com by themselves account for nearly a third of the increase.

Share of S&P 500's percentage change*



25%

Stock and index performance YTD



Market capitalization, in billions

Apple	Alphabet	Microsoft	Amazon	Facebook	Johnson & Johnson	Procter & Gamble	Visa	Oracle	Philip Morris
\$744.1 billion	\$582.3	\$506.0	\$431.1	\$409.2	\$340.8	\$231.1	\$208.9	\$182.2	\$178.0
3.7%	2.9%	2.5%	2.2%	2.0%	1.7%	1.2%	1.0%	0.9%	0.9%

↑ Share of S&P 500 weight

*Year-to-date through Wednesday

Sources: Fundstrat (share of gains); FactSet (market cap); WSJ Market Data Group (performance)

stead of focusing on companies that could outperform during faster economic growth, many investors returned to large-cap favorites with a track record for boosting revenue during slower growth periods.

"If these businesses keep growing, then the stocks are

going to keep going," said Doug Foreman, chief investment officer and portfolio manager at Kayne Anderson Rudnick, which owns shares of **Netflix Inc.**, Amazon and Facebook.

Big-cap tech and internet stocks have been popular even though they look pricey based

on earnings expectations, which has turned off some investors.

Facebook, for example, trades at a multiple of 24.3 times analysts' earnings expectations over the next year, well above the 17.6 for all tech stocks in the S&P 500, according to FactSet.

But Facebook is also forecast to grow sales in 2017 by 37%, the most of any company in the technology sector, according to analysts at Goldman Sachs Group.

Another highflying stock, Netflix, has a forward price/earnings ratio of 109, but analysts expect the video-streaming company's

sales to rise 27% and earnings to more than double. Netflix late Monday reported that sales grew 35% in the first quarter from a year earlier.

"All of these stocks are priced to grow and until they stop growing they will support their valuations," said Mr. Foreman.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Netflix Can't Tune Out Its Glum Reality

Netflix wants to be measured by a more conventional yardstick. The problem is that its valuation is anything but conventional.

The video-streaming company reported disappointing first-quarter results on Monday as subscriber growth for both its domestic and international streaming businesses fell short of the company's own forecast. Netflix said moving the fifth season of "House of Cards" to the second quarter from the first quarter led to lower-than-expected subscriber additions but also lower-than-expected costs, flattening earnings.

In its quarterly letter to investors, the company said that starting this year it should be measured by revenue growth and global operating margins as opposed to subscriber net additions and U.S. segment margins, which had previously been their primary focus.

Indeed, building their models around these unconventional metrics may have helped Netflix's investors justify the steep multiple—100 times forward earnings expectations—they have been willing to pay for its shares.

Of course, subscriber growth may not be enough to sustain Netflix's multiple, either. The company, which finished the quarter with 49.38 million paid U.S. streaming subscribers, has said it can reach 60 million to 90 million domestic streaming subscribers. But its growth rate has been slowing.

Netflix also said it expects negative free cash flow to accompany its "rapid growth for many years," and its borrowings rose substantially. Those are metrics that investors ignore at their peril.

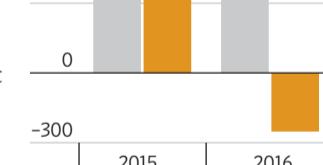
—Miriam Gottfried

Arconic Set Back in Activist Feud

Help Wanted

Arconic's free cash flow*

Fourth quarter Full year



*Operating cash flow less capital expenditures

Sources: the company (data); Luke Sharrett/Bloomberg News (photo)



Arconic facility in Tennessee

risk is flagging U.S. automobile sales.

The interim CEO named by the board isn't exactly a concession to Elliott, which has its own pick for CEO. The board's choice is David Hess, formerly of United Technologies, who takes over as interim chief executive while a search committee hunts for a permanent replacement.

Mr. Hess joined Arconic's board just last month. And Mr. Kleinfeld will be supporting the company during the transition. Elliott had called for former Spirit AeroSystems CEO Larry Lawson to get the top job in a presentation launched this winter.

Arconic has far from surrendered in this fight. Elliott is highly unlikely to walk away. But Arconic was Mr. Kleinfeld's baby; with him out of the picture, the company may not battle Elliott with the same vigor.

The battle has claimed its first victim. There will likely be more to come.

—Charley Grant

OVERHEARD

"The Fate of the Furious" isn't just another movie about fast cars.

The eighth installment in "The Fast and the Furious" franchise brought in a record-breaking \$532.5 million in global box office proceeds last weekend.

It beat out "Star Wars: The Force Awakens," which collected \$529 million during its opening weekend in 2015.

That movie earned big profits for **Walt Disney** by hewing to a classic story line reminiscent of the original three "Star Wars" features.

Comcast's NBCUniversal has boosted revenue on its "Fast and Furious" franchise by offering a wilder ride.

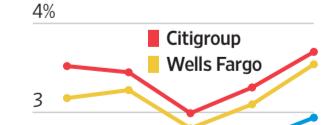
The film's finale features a submarine crashing through an arctic ice field and chasing down a fleet of high-end sports cars.

What can they do in "Fast 9" to top that? Maybe take a page from "Star Wars" and move the battle to outer space.

Banks Face a Risk From Increasing Consumer Borrowing

Creeping Up

Net credit-card charge-off rates



Sources: the companies

come one of the top drivers of loan growth for major banks. On Thursday, **J.P. Morgan Chase** said credit-card loans were up 7.1% from a year earlier at the end of the first quarter, compared with 6% loan growth overall.

Citigroup said credit-card loans were up 15% from a year earlier, powered by its acquisition last year of the **Costco** credit card portfolio from **American Express**.

Problems with loans showed up in major banks' earnings reports. J.P. Morgan took a \$470 million write-down on its student-loan book and marked the portfolio as available for sale. It also cited higher depreciation in auto leases as one factor driving a 5% rise in ex-

penses at its consumer banking unit.

Wells Fargo, which also reported earnings on Thursday, said it has been tightening standards on auto loans, which contributed to an overall loan growth slowdown at the bank. Auto loans have been showing signs of trouble recently, and while most of the riskiest aren't made by banks, the impact is being felt in slowing car sales. At Wells Fargo, net charge-offs have been ticking up but remained relatively low at 1.1% of total auto loans in the first quarter.

Meanwhile, credit-card defaults are rising at all three lenders and, though they are still at very low levels relative to history, are expected

to rise further. The bigger issue is whether consumers, who have gotten more serious about saving, get worried about their debt levels and scale back spending. A record low number of Americans have said they would spend their tax refunds this year and about half said they would put the cash into savings, according to the National Retail Federation.

Bank investors, who haven't focused on consumer credit risks in recent years, should start paying attention. The more immediate risk is a slowdown in consumer spending, which will hurt more than just lenders.

—Aaron Back

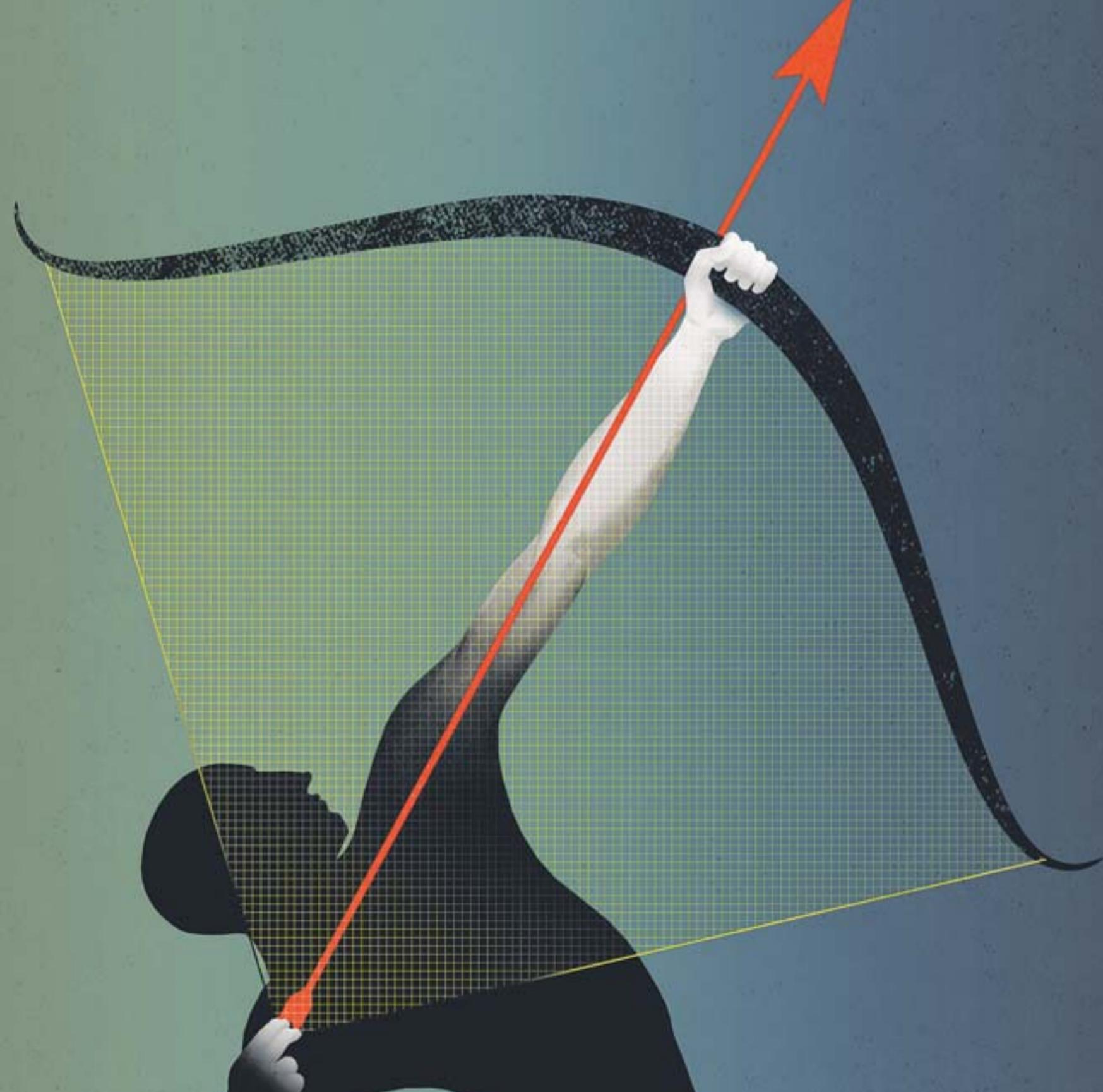
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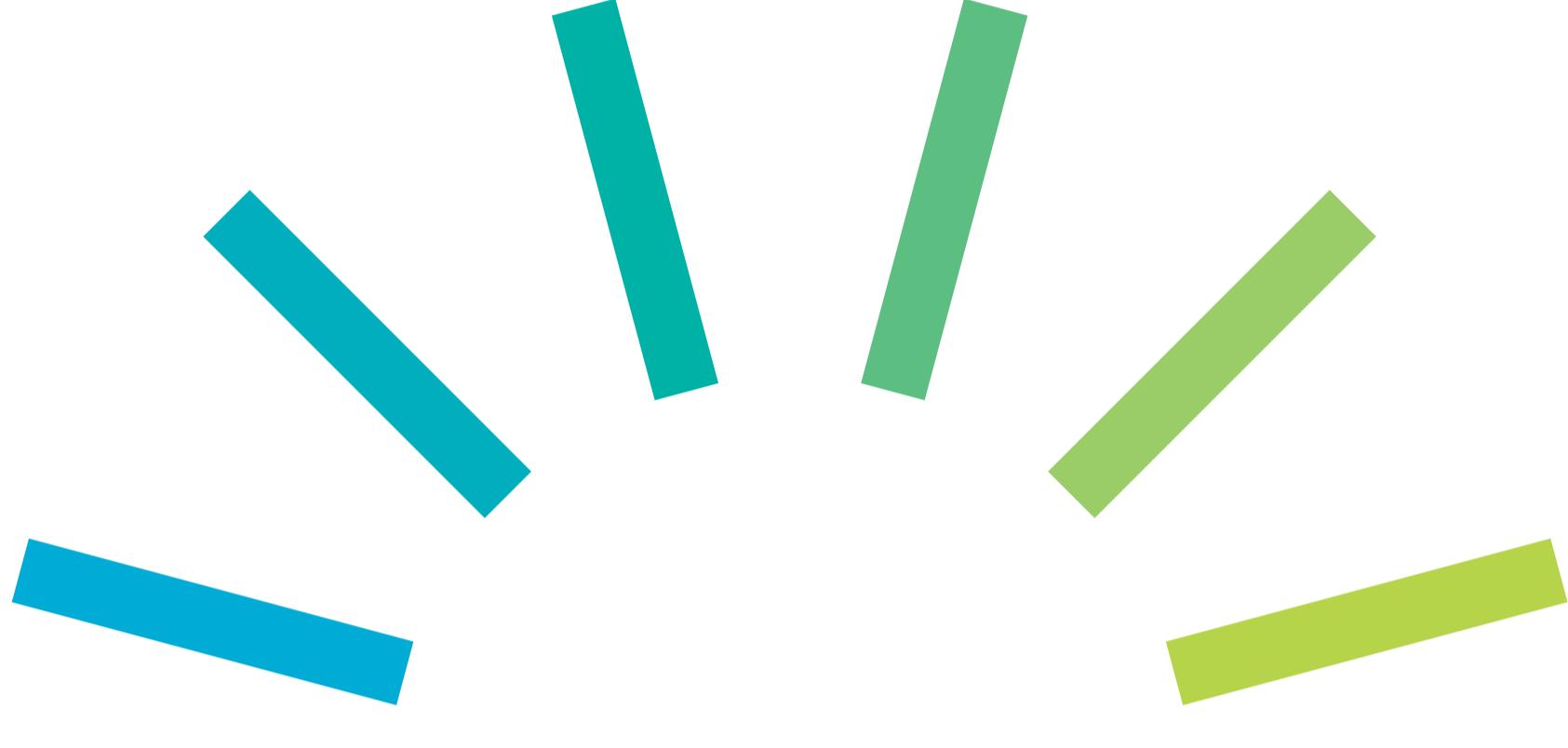
AMERICA'S TOP 100 FINANCIAL ADVISORS

Our exclusive ranking reflects asset volume, revenues, and business practices. At a time of high U.S. equity valuations and political uncertainty, good stewardship may be more important than it has been in years. What the best are recommending now.



Brian Stauffer for Barron's

Reprinted from the April 17, 2017, issue of Barron's.
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SPECIAL REPORT

An annual ranking by *Barron's* of the best advisors in the investment business. What they're recommending now.



Brian Stauffer for Barron's

TOP 100 FINANCIAL ADVISORS

Our winners are dealing with mood swings among clients and in the markets, as things heat up in D.C.

By Steve Garmhausen The financial markets' future is never certain, but uncertainty looms larger than usual now, amid questions about whether President Donald Trump's ambitious economic goals will turn into actual laws and concrete projects. • "If they pass some of [Trump's agenda], even just reducing the corporate tax, the economy is going to be in very good shape," says Marvin McIntyre, a financial advisor in Morgan Stanley's Washington, D.C., office. "If nothing is done and there's gridlock, you're not going to have a good economy for four years," he maintains. • McIntyre is one of Barron's 2017 Top 100 Financial Advisors, a list of whom is on page 6. This annual ranking is based on assets under management, revenue generated for the advisors' firms, and the quality of the advisors' practices. Investment performance isn't an explicit factor because clients have varied goals

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and risk tolerances. Some want to swing for the fences, while others are extremely conservative, so what they consider good results can be very different. Total assets under management are one indicator of investors' satisfaction, or lack thereof. If a client's specific aims aren't being met, the chances of retaining that person—and his or her assets—are slim.

One new issue the members of our list face is trying to help clients overcome their worries about our unusual president and his unorthodox governing style. Says McIntyre: "They're nervous."

Greenwich, Conn.-based Jeff Erdmann, another of the Top 100, tries to keep his clients on an even emotional keel, in part by counseling them to focus on their investments, not politics. "Without taking a political side, hating the government or your president is not an investment strategy," he observes.

Whatever tack they take, many of the winners are as good at soothing clients during market downswings—and keeping them grounded in reality during bull stretches—as they are at creating financial plans and managing portfolios.

The average age of the folks in this year's Barron's ranking is 56, compared with 52 five years ago.

Tenure is also at an all-time high: The typical Top 100 advisor has more than 30 years of experience. Most members of this group will tell you that they love their job, and many can't envision ever ending their careers. But industrywide, a wave of retirements is in the offing. For that reason, clients should ask current or potential advisors about their succession plans.

Our research indicates that investors increasingly are concentrating their assets. The average Top 100 member's team oversees \$8.8 billion—28% more than in 2012.

And more and more, as noted, the best advisors are paid a fixed percentage of the assets they manage, rather than being compensated through sales commissions. This is in line with the industry's push to minimize conflicts of interest—a trend that has gotten a major push from a Department of Labor regulation that would force advisors to act as fiduciaries when they handle retirement accounts.

The controversial rule, which was supposed to take effect April 10 but has been delayed for at least 60 days by the Trump administration, would force FINRA-related advisors to act in their clients' best interests, rather than their own or their employer's.

Currently, those financial advisors need only show that investments they put their customers into are suitable for them. This tempts advisors who get commissions for selling products to put clients into investments that produce a bigger payday, rather than equivalents that might be cheaper.

Many of Barron's Top 100 Advisors, however, get no commissions. Instead, they're compensated through fees based on a percentage of their clients' portfolios. The trend is clear: 76% of our Top 100's revenue comes from ongoing fees, rather than commissions, versus 65% five years ago. Obviously, it's in their interest to ensure that those portfolios grow. To learn more about Erdmann, McIntyre, and three more of our outstanding 100, read on.

Jeff Erdmann

Merrill Lynch PBIG
Greenwich, Conn.
Team Assets: \$6.1 billion
Rank: 8

Jeff Erdmann spends a big chunk of his time talking to clients about things other than investing.

Recently, a wealthy woman was concerned about how and when to give her children access to their inheritances. Erdmann's solution: "We decided to hire a coach to work with Mom, Dad, the kids, and us." Such interaction is among the things that make work rewarding for Erdmann, 54, a three-decade-plus advisor who ranks eighth among Barron's Top 100.

"This is an amazing time in our industry for good advisors to add value for families," adds Erdmann, who works at Merrill Lynch's Private Banking & Investment Group in Greenwich, Conn. "And there's a huge demand for advice and counsel from someone families like and trust."

Indeed, Erdmann was inspired to get into the business by seeing the level of trust between his parents and their broker. When he was in college, the broker helped him land a job cold-calling prospective clients for a Wall Street firm. By 1985, he was working as a retail broker at Merrill Lynch. It didn't take him long to see the wisdom of shifting from a transactional sales approach to one based on holistic advice.

Today, Erdmann and his team of 25 serve three generations of families, "managing all aspects of their lives," he says. "The difference between us and a lot of others is that we always have identified what matters—maintaining your lifestyle, ensuring that the kids turn

"If the administration cannot execute in the next couple of quarters, that will be perceived very negatively by the market."



Jeff Erdmann

Rick Wenner for Barron's

out well—while doing strategic planning."

Erdmann adapts his strategies to the changing times. Because of low yields, "it's hard to get total return now on fixed income, so you need a higher tolerance for volatility," he says. "Sixty-forty [a traditional portfolio of 60% stocks and 40% bonds] is not going to work." Instead, dividend-paying shares are the best bet. He looks to build "a diversified portfolio of solid companies that pay 'rent' of 2% to 3% a year, and raise that 'rent' 5% to 10% a year and appreciate in value over long periods."

More broadly, Erdmann tells clients to keep an eye on where the economy is going, not where it has been. That's tricky now, as Trump and the Republican Congress focus on lowering taxes and curbing what they view as overregulation, with no guarantee of success. "There was a high expectation [in the market] they would be able to execute," he says. "If the administration cannot execute in the next couple of quarters, that will be perceived very negatively by the market."

Erdmann is so well-regarded at Merrill that, twice a month, about 20 of its advisors from around the country fly in to spend a day with him and his team.

"We talk about building and growing your business, how to invest client money, financial planning, and service," he says. "I enjoy being

a role model, if that's what I am, and helping them."

Over the years, he has become a keen student of human nature. "Without a doubt, personal emotions are the biggest risk clients have," he says. "We always manage expectations from the beginning of the relationship, underpromising and hopefully overperforming."

Karen McDonald

Morgan Stanley
Wealth Management
Palo Alto, Calif.
Team Assets: \$37.5 billion
Rank: 12

Karen McDonald's job involves wooing big corporate clients and keeping them happy. But to some degree, she deals with them as if they were smaller fry.

"My counterpart is a person just like anyone else," says McDonald, a Morgan Stanley advisor who specializes in employee-equity services. "You make a connection, listen to them, and show them you're really knowledgeable."



Karen McDonald

able in what they are looking for."

Her knowledge and approachability have helped McDonald, 59, sign up giant global corporations, as well as smaller private firms. And that has helped her team at the Palo Alto Group amass nearly \$38 billion in assets under management.

Along with providing services at the corporate level, the group works with thousands of individuals within clients' businesses. It provides expertise in everything from employee share-ownership plans to stock-option plans to 401(k)s.

Companies increasingly want more comprehensive wealth management for their workers. That has led to more one-on-one planning with individuals. "Companies are really understanding that they're giving all this equity to their employees," comments McDonald, "and, gee, have they really done a good job helping them deal with it?"

As her team counsels employees, it has an arsenal of Morgan Stanley services to offer, including lending and banking. "Years ago, companies would never have advocated on our behalf to allow us in the door, but now they're asking for it," says McDonald. Morgan Stanley's visibility, especially in Silicon Valley, helps open those doors.

"Because Morgan Stanley is a large player in the public-company sector, we have a name out here," adds McDonald, who is No. 12 on Barron's Top 100 list. "We bring advisors that really can run the gamut from high-net-worth people to the middle-of-the-road entry person."

The rising demand for wealth management comes at a good time from a business perspective. Revenue from certain other services has been falling as rivals lower pricing to win or retain customers.

McDonald and her colleagues work with both public and private companies. At the latter, they focus on educating young workers about their compensation and the decisions they will face down the road. It's largely an investment in the future, McDonald says: "It may be years before we see any great liquidity out of this."

One challenge is persuading gung-ho employees to sell some of their stock in order to diversify. "Stock pullbacks make the conversations a little bit easier," she notes, by helping to demonstrate the folly of keeping all one's eggs in a single basket.

A Connecticut native, McDonald worked early in her career as an advisor and later as a branch manager in California for Boston-based Fidelity Investments. Rather than move back East to try to climb the corporate ladder, she took a post at the Bank of San Francisco.

In that job, she helped public-company workers exercise stock options and sell shares acquired through employee stock-purchase plans. Thus, without meaning to, McDonald had pointed herself toward the advisory world's upper echelon—a place where she's now very much at home.

Marvin McIntyre

Morgan Stanley Private Wealth Management
Washington, D.C.
Team Assets: \$2.8 billion
Rank: 83

Marvin McIntyre's practice has expanded and evolved plenty over his 49-year career. But one thing hasn't changed: "Our job is to make clients have their head hit the pillow" and sleep soundly, he says.

McIntyre, 74, manages \$2.8 billion with his team of 14 at Morgan Stanley's Washington, D.C., office. In 1991, to serve his clients more comprehensively, he started adding financial

Winni Wintermeyer for Barron's

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specialists to his staff. It now includes a tax attorney, a certified financial planner, a chartered financial analyst, and an investment banker.

He uses his relationships and the heft of his practice to leverage investment arrangements for his clients. McIntyre, ranked 83rd on our list of top advisors, has put together deals with the Carlyle Group, a leading private-equity and alternative-asset firm, through which clients can gain access to investment funds for a fraction of the sum usually required.

Like most investors, McIntyre and his team are keeping a close eye on how much of Trump's pro-growth agenda passes into law. But their longtime love of dividend-raising stocks should provide a backstop if Trump disappoints. "They're a cushion in case markets do drop off," says McIntyre.

He and his team have begun to pivot toward international stocks—which they view as attractively priced and bolstered by recovering economies—after having underweighted them for five years. "We're starting with a dividend focus," he explains. "That's how we put our toes in internationally."

On the income side, the team likes fixed-to-floating-rate preferred shares. The dividends on these securities change after several years to track interest rates. This "gives you a very nice yield now and, hopefully, when the fixed [rate] goes to floating," McIntyre observes.

Many are fans of McIntyre for more than his financial advice. He's a serious novelist who, in October, published his third mystery novel set against the intrigue of Washington, D.C. *The Outsider*, written by McIntyre and his son Jamie, follows the exploits of a multibillionaire political novice threatening to upend the establishment. The protagonist is, surprisingly, not modeled on Trump, who wasn't in the campaign picture when McIntyre started to write. All profits from the book will be donated for Alzheimer's research, he adds.

McIntyre is a bit of a character himself. After serving in Vietnam, he tried to make it as a singer-songwriter. "I thought I was going to be a rock star," he says. It was not to be. Later, when he had an accounting job, a friend persuaded him to become a stockbroker. "You know how to BS," he told me," recalls McIntyre. "But once I got into the business, it didn't take me long to love it."

His clients are an eclectic group, including CEOs, professional athletes, and authors, and he takes pride in serving them, sometimes going beyond the realm of finance. A client once disclosed that his wife had a very rare disease and that the only doctor who treated it had an eight-month waiting list. Working the phones, McIntyre and his colleagues got the woman an appointment within days. Says the veteran advisor: "If you are in trouble, we want to be there."

Richard Saperstein

HighTower

New York City

Team Assets: \$11.1 billion

Rank: 6

Richard Saperstein is bullish on millennials. Three of the advisors on his 20-person team are in that demographic group, and he hosts outreach events twice a year to showcase the industry to college students. "There's going to be a very prolific wealth transfer over the next 20 years, from baby boomers to millennials," the 57-year-old advisor points out. "And millennials have a different form of communication."

In fact, Saperstein is all about looking ahead.

His New York practice, called Treasury Partners, once was part of Bear Stearns. In 2009, after Bear collapsed during the financial crisis, Saperstein and some colleagues struck out on their own and founded the practice. Now an independent group within advisory firm HighTower, Treasury Partners oversees \$11.1 billion. Its typical client has \$40 million in investment assets.

Most advisors diversify asset types, balancing stocks, bonds, cash, and alternative investments in a bid to minimize risk and max-



Stephen Voss for Barron's

Marvin McIntyre

imize returns. But Saperstein and his team take this to the next level, diversifying by crafting portfolios that typically use 15 to 20 carefully chosen strategies. The team might, for instance, marry passive and active investing, with the aim of capturing the best attributes of each. It also might employ diverse themes and use investments with different risk profiles.

The firm does a ton of in-house market analysis, often clashing with the consensus views of the Wall Street pack. For many years after the financial crisis, for instance, Treasury Partners had zero allocation to foreign stocks. "A normal computer-generated asset allocation would have [recommended] 20% in non-U.S. equities," says Saperstein, No. 6 among Barron's Top 100 advisors. "We thought the U.S. would recover first and lead the global economy."

Having been vindicated on that score, Saperstein now holds a contrarian stance toward emerging markets. Concerned that they could be crushed by a strengthening dollar, he and his team have no exposure.

So what's the veteran financial advisor optimistic about now?

Middle-market lending is one area he likes, because "banks have reduced their lending to small businesses." He recommends playing the theme through diversified strategies, of course. One strategy might focus completely on the U.S., while another might include Europe.

Saperstein has helped keep his brain sharp by studying Italian.

Years ago, he and a friend had an annual tradition of making pesto with the friend's father, an Italian immigrant who spoke no English.

One year, his friend wasn't there to interpret. "I was left there with Salvatore to navigate the language and make pesto," Saperstein says, explaining that he resolved then and there to learn Italian. It's a good example of the pragmatic—and effective—approach to problem-solving that he also brings to his

work for clients.

Andrew Burish

UBS Financial Services

Madison, Wis.

Team Assets: \$3.9 billion

Rank: 48

Andrew Burish loves a challenge; he's one of the rare over-40s who water-skis with his bare feet. "You get going 40 or 45 miles per hour, kick off your water skis, and ski on the bottom of your feet," he explains. "It takes a lot of body strength and balance."

Professionally, Burish, 58, has met the challenge of creating a \$3.9 billion-in-assets firm—not in a financial power center like New York, Los Angeles, or Silicon Valley, but in Madison, Wis. Thanks to word of mouth and internet visibility, Burish now serves clients in 40 states.

The value-minded advisor, No. 48 on our Top 100 list, is known for calls that go against the consensus.

He put clients into Japanese stocks in 2010, and they've had a nice ride as the Nikkei jumped from about 10,000 to nearly 20,000 today. This year, Mexican stocks generally have performed well, and Burish is enamored of some of them. "The only reason global Mexican companies are down is because of Trump bashing Mexico," he says, although the president's criticism of our southern neighbor has ebbed lately. He also likes European financials.

And at a time when hedge funds have been performing poorly and losing assets, Burish stands by them. Hedge funds aren't a way to get rich but rather a means to mitigate risk, he argues: "They are akin to insurance for part of the portfolio."

Burish believes there's a bubble in passive investing, as indicated by the massive growth

of exchange-traded funds based on stock market indexes. "Passive investing always becomes most popular later in a bull market, when it's easy and everything's going up," he says.

Most investors should have 5% to 15% of their investments in actively managed emerging market funds, he contends. He particularly favors active managers for small-caps, and international and emerging markets, all of which he says require a discriminating eye: "Not all emerging markets are the same. China and Brazil, for example, are very different."

Burish has watched the evolution of digital advice and artificial intelligence but doubts that they will make human advisors extinct. "There's going to be continued pricing pressure from robo-advisors and indexes," he says. "But people will still need to talk to someone." His analogy: Though the U.S. military flies drones around the globe, few humans would be willing to fly an unpiloted jet from Chicago to Los Angeles.

The biggest immediate threat to most financial advisors would be if interest rates on certificates of deposit were to rise to 4% or 5%, he says. That would prompt many retirees to move their money into banks.

Over the years, Burish has grown his team to 41 people. Big staffs are a trend that he believes will continue. In five or 10 years, he predicts, large "super teams" will dominate, marshaling efficiencies in order to compete in an era of minimal fees. "We'll need scale because fees will be [just 0.5% to 1% of assets under management] all in, including mutual fund fees," he says. ■

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Andrew Burish

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THE TOP 100 FINANCIAL ADVISORS

Here are America's top financial advisors, as identified by Barron's. The ranking reflects the volume of assets overseen by the advisors and their teams, revenues generated for the firms, and the quality of the advisors' practices. The scoring system assigns a top score of 100 and rates the rest by comparing them with the top-ranked advisor. A ranking of "N" indicates the advisor was not ranked in the specified year.

RANK	'17	'16	Name	Firm	Location	Retail (Up to \$1 mil)	High Net Worth (\$1-10 mil)	Ultra High Net Worth (\$10 mil+)	Foundations	Endowments	Institutional	Team Total Assets (\$mil)	Typical Account Size (\$mil)	Typical Net Worth (\$mil)	Score
1.	1.	Andy Chase	Morgan Stanley PWM	Menlo Park, Calif.	•	•	•			•	\$24,920	\$5	\$25	100.000	
2.	2.	Gregory Vaughan	Morgan Stanley PWM	Menlo Park, Calif.	•	•	•	•	•		18,170	75	150	99.974	
3.	4.	Lyon Polk	Morgan Stanley PWM	New York	•	•	•	•	•		11,878	25	50	99.902	
4.	3.	Brian Pfeiffer	Morgan Stanley PWM	New York		•	•	•			9,636	50	75	99.887	
5.	5.	Mark T. Curtis	Graystone Consulting	Palo Alto, Calif.	•	•	•	•		•	55,651	5	25	99.675	
6.	7.	Richard Saperstein	HighTower	New York	•	•	•	•			11,115	15	40	99.464	
7.	6.	Shelley Bergman	Morgan Stanley Wealth Mgmt	New York	•	•	•	•	•	•	5,421	15	50	98.731	
8.	8.	Jeff Erdmann	Merrill Lynch PBIG	Greenwich, Conn.		•					6,149	36.7	50	98.333	
9.	11.	Drew Zager	Morgan Stanley PWM	Los Angeles		•					11,333	80	150	96.734	
10.	22.	Ron Basu	Morgan Stanley PWM	New York		•	•	•	•	•	3,500	30	150	96.325	
11.	32.	Mark Douglass	Morgan Stanley PWM	Menlo Park, Calif.	•	•	•	•	•		18,170	75	150	96.295	
12.	23.	Karen McDonald	Morgan Stanley Wealth Mgmt	Palo Alto, Calif.	•	•	•			•	37,460	3	10	96.155	
13.	13.	Steven Heftter	Wells Fargo Advisors	Highland Park, Ill.	•	•	•	•			5,050	10	30	95.994	
14.	18.	Kevin Peters	Morgan Stanley PWM	Purchase, N.Y.	•	•	•			•	6,600	16	42	95.864	
15.	12.	Rod Westmoreland	Merrill Lynch PBIG	Atlanta, Ga.	•	•	•				3,946	30	60	95.855	
16.	24.	Robert J. Skinner II	First Republic Inv Mgmt	Menlo Park, Calif.	•	•	•	•			13,666	50	100	95.820	
17.	19.	Scott Wilson	Morgan Stanley PWM	New York	•	•	•	•	•		6,972	20	40	95.718	
18.	17.	Robert Stolar	Morgan Stanley PWM	New York		•	•	•			2,500	50	70	94.871	
19.	16.	R. Christopher Errico	UBS PWM	New York		•	•				3,600	10	50	94.599	
20.	14.	Robert Scherer	Graystone Consulting	Potomac, Md.	•	•	•	•	•		7,541	25	25	94.369	
21.	39.	Peter Princi	Graystone Consulting	Boston	•	•	•	•	•	•	5,360	7.5	15	94.166	
22.	15.	Paul Tashima	UBS Financial Services	Chicago		•	•	•	•	•	23,853	77	250	93.855	
23.	20.	James Atwood	Merrill Lynch PBIG	Boston		•	•				4,495	45	75	93.585	
24.	26.	Michael Klein	Baird	Milwaukee, Wis.	•	•	•	•	•	•	10,250	33	40	93.483	
25.	34.	Richard F. Connolly	Morgan Stanley PWM	Boston	•	•	•	•	•	•	6,583	15	25	93.266	
26.	28.	Seth Finkel	Neuberger Berman	New York	•	•	•			•	2,534	10	20	93.014	
27.	40.	Colleen O'Callaghan	Morgan Stanley PWM	New York		•	•	•	•		3,005	75	100	92.776	
28.	33.	Raj Sharma	Merrill Lynch PBIG	Boston		•	•	•		•	6,429	10	15	92.750	
29.	30.	Patrick Dwyer	Merrill Lynch PBIG	Miami		•					2,622	15	50	92.414	
30.	N	Ed Moldaver	Stifel	New York	•	•	•				5,002	10	20	92.085	
31.	54.	David Hou	First Republic Inv Mgmt	Los Angeles		•	•	•	•		13,666	40	100	92.075	
32.	35.	Eric Gray	Merrill Lynch PBIG	Los Angeles		•	•				8,542	50	80	91.686	
33.	45.	Thomas Moran	Wells Fargo Advisors	Naples, Fla.	•	•	•	•			3,405	5	25	91.622	
34.	36.	Joseph Montgomery	Wells Fargo Advisors	Williamsburg, Va.	•	•	•	•	•	•	14,553	7	15	91.606	
35.	55.	L. Marc Shegoski	UBS Financial Services	Princeton, N.J.		•	•	•	•	•	13,300	18	75	91.015	
36.	21.	Jon Goldstein	First Republic Inv Mgmt	Menlo Park, Calif.	•	•	•				6,975	50	100	90.960	
37.	57.	William Greco	UBS Financial Services	Hartford, Conn.	•	•	•				5,177	9	12	90.810	
38.	58.	James Wallace	Merrill Lynch Wealth Mgmt	Atlanta	•	•	•	•	•	•	65,421	4210	9500	90.794	
39.	60.	Douglas Braff	UBS Financial Services	New York	•	•	•				11,173	5	15	90.537	
40.	61.	Noel Weil	Merrill Lynch PBIG	New York		•	•				8,195	15	30	90.360	
41.	N	Fred Fischer	William Blair & Company	Chicago		•	•	•			3,179	7.5	12	90.270	
42.	62.	J. Dorian McKelvy	Morgan Stanley Wealth Mgmt	Menlo Park, Calif.	•	•	•	•			5,072	1	5	90.269	
43.	52.	Gus Roessler	Morgan Stanley PWM	New York		•	•	•			4,420	85	100	90.250	
44.	29.	Wm. Craig Dobbs	Graystone Consulting	Indianapolis					•		21,288	161.27	205.23	90.174	
45.	31.	Martin Halbfinger	UBS Financial Services	New York		•	•	•	•	•	3,014	20	35	90.140	
46.	48.	Alan Whitman	Morgan Stanley Wealth Mgmt	Pasadena, Calif.	•	•	•				2,489	5	15	90.060	
47.	63.	Stephan Cassaday	Cassaday & Company	McLean, Va.	•	•	•				1,987	1.5	2	85.944	
48.	41.	Andrew Burish	UBS Financial Services	Madison, Wis.	•	•	•				3,861	2	3	85.891	
49.	42.	Phil Shaffer	Graystone Consulting	Columbus, Ohio	•	•	•	•	•	•	5,826	140	225	85.885	
50.	65.	Peter Rohr	Merrill Lynch PBIG	Philadelphia		•					2,989	31	100	85.850	
51.	81.	Gary Tantleff	UBS Financial Services	Warren, N.J.	•	•					3,443	9.46	10	85.810	
52.	43.	Phil Scott	Merrill Lynch Wealth Mgmt	Bellevue, Wash.	•	•	•	•	•		2,676	10	20	85.807	
53.	47.	Robert Waldele	Merrill Lynch Wealth Mgmt	New York	•	•	•	•			6,793	15	25	85.804	
54.	72.	Jonathan Kass	Merrill Lynch Wealth Mgmt	New York	•	•	•				5,485	10	25	85.760	
55.	96.	Mark Schulten	Wells Fargo Advisors	Long Beach, Calif.	•	•	•	•	•	•	2,195	3	7	85.699	
56.	71.	Richard Szecil	Neuberger Berman	Dallas	•	•	•				1,522	8.5	15	85.694	
57.	56.	William Peterson	Neuberger Berman	New York	•	•	•				1,613	5	13	85.693	
58.	38.	Thomas J. Keegan	Merrill Lynch PBIG	New York	•	•			•		13,230	37.97	48	85.635	
59.	44.	James Hansberger	Morgan Stanley PWM	Atlanta	•	•	•	•			2,171	20	50	85.600	
60.	64.	Troy Griepp	Morgan Stanley PWM	San Francisco	•	•	•	•	•		7,792	30	50	85.255	
61.	87.	John Cultra	William Blair	Chicago	•	•	•	•			2,297	17.5	27.5	85.175	
62.	88.	Bobby Fisher	UBS Financial Services	Houston	•	•	•				7,600	2</td			

BARRON'S • SPECIAL SUPPLEMENT

Barron's ranks the top consultants to institutional investors and profiles three firms that provide long-term counsel to diverse clienteles.

Where the Big Money Gets Its Advice

by Ross Snel

"Institutional consultant" is hardly a household term, but this kind of investment professional has for decades played a key, if quiet, role in managing investments that touch many lives. If you have a parent with a traditional pension plan, it's likely the plan sponsor is relying on an institutional consultant for advice. The same holds true if your employer offers a 401(k) plan. The trustees of your child's college probably have hired consultants to help manage the endowment.

And given the increasing complexity of global markets and the growth of investment vehicles available to large investors, more institutions that don't have relationships with consultants are realizing that the best way to meet their fiduciary obligations may be to hire a full-time, seasoned consulting team.

That's one reason why the future of institutional consulting looks "vibrant" right now, says Jim Hausmann, managing director and head of corporate solutions and retirement services at UBS Financial Services.

Noting the growing interest in this subset of the advisory universe, Barron's in 2015 began publishing a ranking of institutional consulting teams as one of the companions to its Top 100 Financial Advisors list, which ranks advisors serving wealthy individuals.

To produce the ranking, Barron's uses an array of criteria, including the amount of institutional investments each team oversees, the revenue those assets generate, the size of client rosters, and the number of team members.

Institutional consulting might seem like a narrow niche, but just as clients are diverse—from foundations to 401(k)s—so are the ranks of successful consulting teams, three of which we profile starting on page S22. Some, such as LVW Advisors, focus on specific types of clients, and others, like UBS Institutional Consulting-Atlanta, cast a wider net. The UBS Atlanta team and the Dobbs Group at Morgan Stanley's Graystone Consulting enjoy the backing of large parent firms, while LVW Advisors has thrived as an independent.

It's pretty clear that the best institutional consultants are in great demand. Hausmann at UBS points to 401(k) plans as one example of how more institutions are seeking the help of consultants. In the past few years, there has been a surge of interest from sponsors of small and medium-size plans seeking professional guidance.

"There's a clear recognition of sponsors' fiduciary responsibility," Hausmann says. "Not only are consultants working with plan sponsors to meet regulatory requirements, but they're also working to provide lots of education to employees."

Moreover, many existing clients have pressed consultants to take on more decision-making power, a practice known within the industry as "discretion."

Traditionally, institutional consultants meet with clients to assess their financial needs and develop a tailored investment plan that includes everything from building an asset-allocation strategy to researching managers for different parts of the portfolio. Consultants then present their recommendations, with the final say resting with boards and investment committees.

That changes when a client hands over discretion to a consulting team. The team makes decisions and assumes more—sometimes full-fiduciary responsibility.

When risk is transferred, working within a large firm with deep pockets and a wide research network offers advantages, says Marc Brookman, who heads up Graystone's institutional consulting unit. He raises the question of the due diligence required to avoid a fraud like the Bernie Madoff case: "Do smaller firms have the depth and talent to do the deep alternative research that's required?"

Transferring discretion isn't an all-or-nothing proposition. Hausmann of UBS says that sometimes a board may not want a consulting team to make all the asset-allocation decisions but will give it the discretion to fire managers who aren't meeting benchmarks. "I call that discretion of convenience," he says, noting that some boards don't want to wait for the next quarterly meeting to approve a change.

Successful institutional consultants possess many of the skills of financial advisors who assist wealthy individuals: an expertise at portfolio construction, the ability to select good managers, and knowledge about a range of investment vehicles. But consultants must also be masters at understanding group dynamics, because clients are boards and investment committees with members from diverse backgrounds, ages, risk tolerances, and views on the economy, not to mention constituencies.

Institutional consultants are not in the business of making short-term market calls or going all in on potentially lucrative but risky investments. Their clients tend to have very specific investing charters and can't allow the value of their portfolios to whipsaw from year to year. Thus, consultants take a long view and carefully construct portfolios to minimize risk. They also seek to identify potential market disruptions well before they arrive.

The tenets of this sort of investing include diversification, asset noncorrelation, and a reliance upon both active and passive managers, notes Graystone's Brookman. In the bull market of recent years, such an approach could have underperformed very simplistic portfolio constructed of a low-fee Standard & Poor's 500 index exchange-traded fund and a plain-vanilla bond ETF. But Brookman cautions that investors expecting a simple, low-fee approach to work indefinitely shouldn't ignore the market's history of booms and busts. "Risk needs to come back into the discussion," he says.

For all the diversity of institutional consultants, two common denominators emerge in conversations with the three teams profiled in this special report. First, there's no substitute for experience. Second is the importance of having a well-integrated team, with a core group that has worked together for years.

UBS Institutional Consulting-Atlanta

Earle Dodd, 64, a senior institutional consul-

The Biggest Hire the Best

Managing investments for pension plans, university endowments, foundations, and other large organizations is a complex business. One solution: Tap the advice offered on everything from asset allocations to manager selection from a wide range of consulting firms. Here is Barron's ranking of the best institutional consultants in the U.S.

RANK	2017 '16 Team Name	Parent Company	Location	Key Advisors	Team IC Assets (bil)
1.	1. Graystone Consulting, The Dobbs Group	Morgan Stanley	Indianapolis	William Craig Dobbs	\$23.9
2.	2. UBS Institutional Consulting Group	UBS Financial	Atlanta	Earle Dodd, Allen Wright Scott Olsen	16.0
3.	4. Sheridan Road Financial	Independent	Northbrook, Ill.	Jim O'Shaughnessy, Daniel Bryant	12.2
4.	5. Retirement Benefits Group	LPL Financial	San Diego	Gary Josephs, Tony Franchimone, David Utter	13.5
5.	N Global Institutional Consulting, N.J.	Merrill Lynch	Iselin, N.J.	Goran Bojovski, Bruce Gsell	9.3
6.	N Graystone Consulting, New York	Morgan Stanley	New York	John Longo	12.3
7.	3 UBS Institutional Consulting Group, NW	UBS Financial	Seattle	Shawn Hintz, Trent Sanden	22.8
8.	9 Graystone Consulting, Metra D.C.	Morgan Stanley	Potomac, Md.	Robert S. Scherer, Dean Eisen, Ross Charkatz	6.0
9.	N Mason Investment Advisory Services	Mason Investment Advisory	Reston, Va.	Scott George	4.2
10.	12 Graystone Consulting, Florida	Morgan Stanley	Tampa, Fla.	Charles H. Mulfinger II	5.1
11.	N Global Institutional Consulting, Indiana	Merrill Lynch	Indianapolis	John Cate	7.7
12.	17 Global Institutional Consulting, Maryland	Merrill Lynch	Bethesda, Md.	George Dunn, Peter Dunne, Bruce Wall	3.9
13.	10. Graystone Consulting, Ohio	Morgan Stanley	Columbus, Ohio	Phil C. Shaffer, Jennifer Hamant, Richard Hazzouri	3.8
14.	14. FDG Group	UBS Financial	Stamford, Conn.	Jeff Farrar, Stephen DesRochers, Dean Gaugler	9.0
15.	20. Graystone Consulting, Illinois	Morgan Stanley	Chicago	Linda Stephans, Kristina Van Liew, Erik Oller	5.0
16.	23. Global Institutional Consulting, California	Merrill Lynch	Los Angeles	Michael Starratt, John Carlson, Mark Jacoby	9.8
17.	19. Eisen-Sessa Institutional Consulting	UBS Financial	Philadelphia	David Eisen and Charles E. Sessa Jr.	8.0
18.	8. Cornerstone Advisors Asset Mgmt	Independent	Bethlehem, Pa.	Malcolm Cowen II, Thomas Scalici, Kevin Karpuk	4.2
19.	7. Graystone Consulting, Texas	Morgan Stanley	Houston	John Granger	12.4
20.	6. Global Institutional Consulting, Michigan	Merrill Lynch	Grand Rapids, Mich.	William Mackay, James Veldheer, Timothy Long	3.2
21.	26. Graystone Consulting, Wisconsin	Morgan Stanley	Milwaukee	Thomas W. Parks	5.9
22.	15. Graystone Consulting, Chicago NW	Morgan Stanley	Barrington, Ill.	George Cook, Carl H. Viard	2.9
23.	N Graystone Consulting, Pennsylvania	Morgan Stanley	Wyomissing, Pa.	Harry J. Herb, Thomas J. Schatzman	8.9
24.	N Legacy Strategic Asset Mgmt	Wells Fargo Adv	Hudson, Ohio	James Barsella, Douglas Krapf, Matthew Shannon	4.6
25.	N Graystone Consulting, Texas	Morgan Stanley	San Antonio	William J. Sammons, Ronald Kern Myrtle Ward	4.2
26.	18. Optimal Service Group	Wells Fargo Adv	Williamsburg, Va.	Joe Montgomery	13.5
27.	N Graystone Consulting, Michigan	Morgan Stanley	Birmingham, Mich.	Michael Holycross	3.6
28.	11. LVW Advisors	Independent	Pittsford, N.Y.	Lori Van Dusen, Joe Zappia, Rick Van Kuren	1.1
29.	N Global Institutional Consulting, New York	Merrill Lynch	Southampton, N.Y.	Roger Matloff	2.3
30.	N Moreton Retirement Partners	LPL Financial	Denver	Chad Larsen, M. Corey Whitehead, Kirk Welch	3.5

N=Not Ranked

tant and partner at UBS Institutional Consulting Group in Atlanta, says success in consulting comes from working closely together: "We're a collective," he says. "I just happen to be the spokesperson today."

The team doesn't pursue lots of accounts, but the ones it has are quite large, which demands a flexible approach. One account's investment committee meets 12 times a year, and the board meets four times. "We actually have four people covering that account, two at each meeting," he says.

Dodd boasts 40 years of experience in financial services, starting at Prime Asset Consulting Group, which UBS acquired from Kidder Peabody in 1995. Dodd joined Prime's investment consultancy in late 1986.

Back then, institutional consulting was still in its nascent stages, so Dodd has benefited from watching it grow. "I saw we were at a time when there was an evolution of the market," he says. "Previously, money managers did everything, and clients often simply hired a manager. In the '80s, you started to see consulting offering an overlay to that."

Dodd isn't the only seasoned team member. He's been working together with Van Price for 27 years and with Allen Wright since the Kidder days. Even a recent addition to the team, Ray Vuicich, has been in financial services for nearly two decades.

Experience has taught Dodd to be pragmatic and open-minded in dealing with the long investment horizons and natural risk aversion of institutional investors. That means not chasing fads or becoming dogmatic about investment vehicles. For example, on the active-versus-passive debate, Dodd says "both have their place" in portfolio construction. "There are some mar-

kets that naturally benefit more from active."

He acknowledges that passive funds have performed well in the recent equity bull market but adds that the Federal Reserve's current trajectory of interest-rate hikes has coincided with better returns for active managers early this year. "As interest rates rise, you're seeing more dislocation for active versus passive management," he says.

LVW Advisors

LVW Advisors is the culmination of a vision CEO Lori Van Dusen developed early in her career that might seem mainstream now but was sometimes dismissed as overly idealistic 30 years ago: putting clients, and the performance of their portfolios, first.

As she worked to help create Citigroup/Smith Barney Institutional Consulting, Van Dusen attracted and inspired a loyal group that has remained together, first in a move to Convergent Wealth Advisors, then in the founding of an independent firm.

"I was five years in the industry, met Lori, saw the light, and haven't looked back," recalls LVW co-founder Rick Van Kuren, 49, who started working with Van Dusen in 1996. Other veterans include Jeff Wagner and Tom Hawks. More recent additions, such as Joe Zappia, a managing partner, have worked in finance for decades.

"We have always been focused on providing the best possible solutions and completely objective advice to our clients," Van Kuren says. "Back in the late '80s and early '90s, that was not really the norm. More consultants were transaction-oriented. The notion of having a fiduciary responsibility was not that well developed."

LVW Advisors doesn't try to serve the entire



Top, UBS Institutional Consulting-Atlanta: A flexible approach to the largest accounts.



The Dobbs Group: learning early the importance of pensions and health and welfare funds.

independent consulting market, focusing instead on endowments and foundations. Clients include colleges, universities, private schools, regional hospital systems, and some nonprofit foundations.

The recent bull market has pushed U.S. equities to high levels, notes Van Kuren, citing Goldman Sachs research that shows the S&P 500's valuation is around the 90th percentile of its historical valuation over the past four decades.

"That's not a great predictor of, say, what next year's returns will be," he says, but it is a reliable indicator of more subdued returns over a longer period like five years, and that argues for a more cautious approach to U.S. stocks.

As an independent firm, LVW Advisors lacks in-house access to global investment research, but that's just fine with Van Dusen and her team. They prefer what they call an open-source platform for research, saying it helps avoid the groupthink that can arise when a team of researchers operates with similar assumptions.

This entails beginning the research process in-house and developing an investment thesis. LVW will "then probe paid researchers for the other side of the argument," Van Kuren says. "We'll ask them, 'What are the holes in our thinking?' We can then test our conviction in our own thesis. At the end of the day, it really just drives a robust decision-making model."

The Dobbs Group

Unions run in Craig Dobbs' blood and have been an important part of his career as an institutional consultant.

The head of the Dobbs Group, the Indianapolis-based institutional-consulting team of Morgan Stanley's Graystone Consulting, learned about unions from his mother, who served as a union steward. She raised three children alone, ran the Alka-Seltzer production line at Miles Laboratories, and later married a UPS employee who was a Teamsters member.

Dobbs, 53, learned early that "every hour worked meant money was paid into a pension fund; every hour worked meant money was paid into a health and welfare fund."

When he started his career at Merrill Lynch, Dobbs realized he had a flair for portfolio construction, which led him to institutional consulting. It's no surprise that when he started seeking clients, unions were at the top of his telephone list. His first account was with a union that was then worth \$17 million. The Dobbs Group still has that account, which has grown to about \$180 million.

Dobbs describes U.S. stocks as being fairly priced, but "at the high end of fair." In the last couple of years, he has been relying more on alternative investments. For example, around the end of 2015, his team reduced its exposure to real estate investment trusts "basically to zero" and moved the assets into "hard real estate" via investment pools. He says the change meant sacrificing some liquidity but led to better returns than REITs over the past year.

Members of Dobbs' team have stuck together for years, through a number of ownership changes. These veterans include Seth Yudes, vice president and financial advisor, and Nadine Brookins-White, who oversees administration and compliance.

One hurdle for a successful team is adding new members as the client roster grows, Dobbs says. "The challenge is how do you introduce more people in a way that doesn't disrupt the machine you've been building," he explains.

Dobbs likes to hire people on a temporary basis to see how they mesh with the team. Being part of a large firm like Morgan Stanley also means that he can recruit candidates with whom he's already worked—and knows. "We hire from Morgan Stanley all the time," he says. "I go out and say, 'Why don't you come and work with our group?'" One such recent hire: Franco Piarulli, who now serves as a portfolio manager. ■

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